EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,672 Thursday October 20 1988 D 8523 A

POST-WAR IRAN
Countertrade oils wheels of business
Page 9

World News

Suicide car bomb kills 7 Israeli troops in Lebanon

A Moslem guerrilla killed himself and seven Israeli soldiers when he blew up his car near the Israeli-Lebanese border, Israeli military sources said. At least 10 other people were wounded. The bomb exploded in Lebanon near the village of Metulla, a heavily-guarded Israeli border crossing point used by army vehicles and Lebanese day labourers in Israel. Page 20

IRA interview ban
The British Government announced restrictions on the broadcasting of interviews with members of Northern Ireland extremist organisations including the Irish Republican Army, its political wing Sinn Fein and the Protestant paramilitary Ulster Volunteer Force. Page 20

Afghan crisis
Nine people were killed and 17 injured in a rebel rocket attack outside Kabul airport. President Najibullah's ruling People's Democratic Party of Afghanistan sacked two Politburo members.

Physics prize
Two US scientists, Leon Lederman and Melvin Schwartz, and Swiss Jack Steinberger shared the 1988 Nobel prize for physics, for their elementary particle research.

Indian aircraft crash
Some 164 people died in two separate airliner crashes in India, making it the worst day in the country's domestic aviation history.

Hirohito worse
Japan's ailing Emperor Hirohito vomited blood for the first time since he collapsed a month ago and was left almost speechless by a violent coughing fit.

SA sit-in ends
Three prominent South African anti-apartheid activists left the US consulate in Johannesburg, to the cheers of supporters, five weeks after taking refuge there on their escape from detention. Page 4

Argentine poll date
Argentina's President Raúl Alfonsín confirmed that Argentina will go to the polls on May 14 next year to elect a new president. Page 8

Dukakis hits back
US presidential candidate Michael Dukakis, facing electoral humiliation on November 8 unless he can turn the tide, dubbed his Republican rival George Bush a man "with flags and balloons, but no convictions, no ideas and no plans." Page 8

Police chief resigns
Sweden's police chief Niels Erik Åhmansson resigned following allegations by the country's attorney-general of incompetence in leading the hunt for the murderer of Prime Minister Olof Palme.

Italian speed limit
Italian MPs failed for the third time to endorse a Government proposal for a definitive motorway speed limit, replacing the present two-tier limit. Other Italian news, Page 2

Fouquet's saved
To tears of delight from Fouquet's waiters, French Culture Minister Jack Lang declared the famed Paris bistro an historic monument and rescued it from closure.

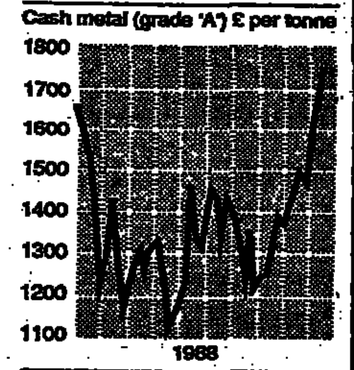
Business Summary

Saudi group sees long term role in First Boston

SULIMAN Olayan, Saudi financier playing a key interim role in the restructuring of First Boston, the US investment bank, said his Olayan Group, which is supplying $600m in bridge financing for the $1.1bn merger of First Boston with its European affiliate, Credit Suisse First Boston, was expected to keep some of the equity as a permanent investor. Page 21

COPPER and zinc prices moved to record levels on the London Metal Exchange amid concern about the impact of

Copper
Cash metal (grade 'A') £ per tonne



the Peruvian miners' strike. Metal for immediate delivery advanced $85 to £1,746 a tonne. Page 40

DUTCH Government plans to lift its stake in Fokker of the Netherlands to 30-40 per cent in defiance of the aircraft maker's wishes to avoid greater state involvement and increase private ownership. Page 21

FERRUZZI, the Italian agro-industrial group controlled by Mr Raul Gardini, said it has signed a five-year agreement in the Soviet Union to develop 500,000 hectares of agricultural land in the Ukraine.

ERIK Penser, Swedish financier who controls Nobel Industries armament and chemicals group and two investment companies Asken and Carnegie, revealed plans to reorganise his empire and concentrate on building up industrial interests. Page 21

ABBEY Life Assurance, second largest UK unit-linked life company, is today expected to announce a tie-up which could be worth up to £500m ($876m) with Lloyds, smallest of the big four British clearing banks. Page 21; Lex, Page 20

SOVIET Union is undertaking a wide review of regulations affecting foreign investments in joint ventures, including profit remittance and management control. Page 9

BRAZIL'S Britanite, biggest maker of civilian explosives in Latin America, signed joint venture deal with Royal Ordnance, UK's largest manufacturing company, to establish a guided missile industry using British technology. Page 9

BANKERS Trust, sixth largest US bank, made net profits of $162.1m or $2.01 a share in the third quarter – higher in total, but lower on a per share basis than in the third quarter last year. Page 23

SAAB-Scania, Swedish automotive group, made a strong recovery during second four months of this year after a 36 per cent profit decline in the first four months because of a three-week national white-collar strike. Page 22

BOND Corporation, Alan Bond's flagship company, has debts of more than A$7bn (US$5.7bn), or more than A$8.5bn including liabilities of the recently acquired Bell Group, Robert Holmes à Court's former flagship. Page 25

Belgrade's political shake-up fails to meet expectations

By Judy Dempsey in Belgrade

YUGOSLAVIA'S leadership has formally proposed that discredited politicians be dismissed from senior party ranks.

However, there was still considerable acrimony last night over the scope and likely speed of personnel changes, leaving open the possibility of fresh unrest.

Mr Dusan Ckrebic, an old-guard politician from Serbia, Yugoslavia's biggest republic, offered to resign from the ruling party's 23-man politburo last night after failing to win the support of the central committee in a vote of confidence.

However, Mr Slobodan Milosevic, the Serbian Communist Party chief, said there was no reason for Mr Ckrebic to step down and the politician's future was left open after a bitter exchange of insults between Mr Milosevic and Mr Stipe Suvar, the federal party leader who is from Croatia.

The central committee earlier accepted the resignations of four politicians who had offered to step down.

However, nine other members of the politburo who had submitted themselves to a vote of confidence by the 165-member central committee kept their posts.

It was decided, apparently at

Stipe Suvar, Politburo President, telling yesterday's Communist Party meeting that the changes were not a purge

the last minute, that politburo members could stay in office if they obtained half the central committee votes, rather than two-thirds as originally planned.

Yesterday's vote marked the climax of a central committee meeting which had been in progress since Monday and had been called to discuss Yugoslavia's mounting ethnic and economic crises. These have prompted demonstrations by hundreds of thousands of nationalist Serbs and by workers protesting over plunging living standards.

The politburo recommended that consultations be held in each of Yugoslavia's six republics and two provinces with a view to replacing members of the federal central committee who were either old, sick, corrupt or opposed to political and economic reform.

That process could take over a month and it seemed far from certain to guarantee the purging of one-third of the central committee promised at the start of the session.

Two prominent members of the central committee stepped down yesterday on the grounds that they also held government office.

They were Mr Stane Dolanc, a Slovene who is the country's Vice-President, and Mr Josip Vrhovec, a Croat and member of the state presidency. However, there was no sign that mass resignations were imminent.

The postponement is likely to anger nationalist Serbs who, Continued on Page 20

Britain launches Gold Fields inquiry

By Kenneth Gooding, Mining Correspondent

THE UK is to investigate the events leading up to the £2.9bn ($5bn) bid for Consolidated Gold Fields, the mining and industrial group, by Minorco, the South African-controlled investment company.

Lord Young, the UK Industry Secretary said that the inspectors were to look into the widespread allegations of insider dealing in Gold Fields shares immediately before the bid – the biggest ever for a British company.

They would also search among the nominee holdings on the Gold Fields' share register to see whether there was any evidence of "concert parties" (when other people buy shares in the target company on behalf of the bidder).

Although the investigation was announced after the London Stock Exchange closed, the Gold Fields' share price dropped sharply during trading yesterday, by 33½p to £12.23, although turnover was low. The Minorco offer is worth £12.75 for each Gold Fields' share.

Sir Michael Edwardes, chief executive of Minorco, welcomed the inquiry last night and said: "We made our position very clear from the first day of the bid when we called for a Stock Exchange inquiry into (Gold Fields') option and share dealings at and before the time of the bid.

"Such dealing activity was obviously prejudicial to our interests and any steps that can be taken to ascertain the full facts must be good news for us."

Gold Fields said it was encouraged by the appointment of inspectors, which it believes will put more pressure on the Office of Fair Trading to refer the bid to the Monopolies Commission on "public interest" grounds.

Before the inquiry announcement Gold Fields issued a statement yesterday which suggested that the possible outcome of the bid had been "crucially affected" by the destabilisation of its share register. It pointed out that Minorco already had nearly 30 per cent of the Gold Fields' issued capital before making its offer and in the three days before the bid was made, turnover of its shares in London increased to more than four times the average of the previous month and in Johannesburg to nearly 15 times.

Anti-trust suit, Page 25; Lex, Page 20

Brussels not to seek backdated banking pacts

By David Buchan in Brussels

THE EUROPEAN Commission yesterday backed away from seeking retrospective banking reciprocity agreements from foreign countries after 1992 when internal market barriers are due to be abolished within the EC.

Lord Cockfield, the EC internal market commissioner, made it clear that banking reciprocity would only be sought on the arrival of "newcomers" and would not apply to countries whose banks were established within the EC.

He was speaking after the European Commission pledged support for "free and open trade" but called for selective reciprocity from foreign countries in its key statement on the impact on the outside world of internal European market liberalisation.

Mr Willy De Clercq, EC external affairs commissioner, said the statement should allay as "senseless and groundless" foreign fears that Europe would, in the process of forging a single market by 1992, turn itself into a protectionist fortress. But US officials in Brussels said the statement "failed to respond" to a number of concerns by Europe's trading partners.

The Commission statement may spark, rather than quell, debate inside as well as outside the Community on the intentions of EC's Brussels executive which is the 12 member states' trade negotiator. Mr De Clercq said, however, he hoped the Council of Ministers would debate case-by-case trade decisions flowing from the trade policy statement, rather than the general statement itself.

Any council debate would tend to pit more protection-minded countries, like France, against others such as the UK, which has been fearful of the effect of EC reciprocity demands on the internationally-open City of London.

The Commission stressed three principles which it said would shape the external provisions of its current and future plans for internal EC deregulation.

These were that 1992 would benefit EC and non-EC countries alike and would not be protectionist; that the Community would honour all its international trading obligations; and that where no international rules existed in Gatt (General Agreement on Tariffs and Trade) as in services and some areas of public procurement – it would "reserve the right" to seek reciprocal market access bilaterally from foreign countries or groups of countries.

For the first time, the Commission defined reciprocity as "non-discriminatory opportunities" for EC companies to operate. Continued on Page 20

Epeda is surprised by joint takeover attack

By Paul Betts in Paris

VALEO, the leading French car components group under Mr Carlo de Benedetti's management control, and Chargeurs, the French holding company, headed by Mr Jerome Seydoux, joined forces yesterday with an unexpected joint FFr3.7bn ($600m) cash bid for Epeda-Bertrand Faure, Europe's leading car seat manufacturer.

The joint bid took Epeda by surprise. It had been banking on Chargeurs to come to its rescue as a "white knight" to thwart Valeo's hostile bid.

But the investment banks advising the different parties in the battle engineered a pact between Valeo and Chargeurs which led to yesterday's FFr1,100-a-share joint bid for all the car seat maker's 3.36m outstanding shares.

The deal was regarded in Paris as a significant example of the increasingly active and leading role French investment banks are now playing in engineering mergers and acquisitions in France.

Banque Worms, the banking subsidiary of the UAP state insurance group, and Lazard, the French merchant bank, have been acting for Epeda and Chargeurs and were originally expected to draw up a defensive counter-offer against Valeo's original FFr2.3bn bid for 60 per cent of Epeda involving a combination of cash and convertible bonds.

But Worms and Lazard negotiated instead the Valeo-Chargeur deal with Valeo's financial advisers, Paribas and Stern.

Epeda management, left with little alternative, said last night that it would not oppose the new joint bid.

The offer has been made by a new holding company in which Valeo has a 45 per cent stake and Chargeurs has 20 per cent.

The remaining 35 per cent is held by eight institutional shareholders including UAP, AXA and Société Générale. The new holding company will have a capital of FFr1.5bn to help fund the acquisition, also to be financed by debt.

Although the deal will not give Valeo the full control of the company that it had originally sought, the car components group has avoided a potentially costly and bruising takeover battle against Chargeurs. In turn, Chargeurs will also have acquired a significant position in Epeda without a costly bidding contest.

Background, Page 21

EC agrees to Gatt anti-dumping probe

By William Dullforce in Geneva

THE EUROPEAN Community yesterday agreed to let a disputes panel under the General Agreement on Tariffs and Trade investigate Japan's charge against its anti-dumping regulations.

However, the EC also made it clear that it would oppose Japan pursuing the same complaint in the committee which supervises Gatt's anti-dumping code.

It will be the first time that Japan has dragged a trading partner before a Gatt panel and the move reflects a determination in Tokyo to defend its trade interests more vigorously.

In a strongly worded statement to the Gatt council, Mr Yoshio Hatano, head of the Japanese mission, said levies imposed by the EC on Japanese electronic and other products assembled within the EC were a new form of protectionism masquerading as anti-dumping duties.

Benefits accruing to Japan under Gatt were being nullified by the illegal imposition of these duties on Japanese companies, Japan's legitimate interests should be redressed immediately, Mr Hatano said.

The dispute centres on the so-called "screwdriver" plants inside the Community, at which Japanese companies assemble imported components to make finished products for sale on the European market.

● The US blocked for the second time in the Gatt council yesterday an EC request for a panel to hear its complaint against some long-standing US import curbs.

Japanese investigators raid scandal-linked companies

By Ian Rodger in Tokyo

A TEAM of 30 investigators from the Tokyo Public Prosecutor's office yesterday raided the head office of Recruit, the publishing company at the heart of a series of financial scandals that has rocked the Japanese political scene in the past three months.

Other investigators raided the offices of Recruit Cosmos, a Recruit subsidiary, and the home of a company official alleged to have attempted to bribe Mr Yanosuke Narazaki, an opposition politician. Hundreds of boxes of documents were collected.

The raids were based on a complaint filed by Mr Yanosuke Narazaki early in September claiming that Recruit officials were involved in attempts in August by Mr Hiroshi Matsubara, an official of Recruit Cosmos, to bribe him.

The alleged purpose of the bribe attempts was to restrain Mr Narazaki from pursuing his inquiries into another Recruit-related scandal: the sale of Recruit Cosmos shares on advantageous terms to prominent figures – including aides to leading politicians – in advance of the company's public flotation two years ago.

The scandals have emerged at an awkward time for the ruling Liberal Democratic Party, because they are strengthening the resolve of the opposition parties to block the LDP's ambitious tax reform plans. The opposition also claims that the Recruit affair underlines the need to strengthen taxes on share transactions.

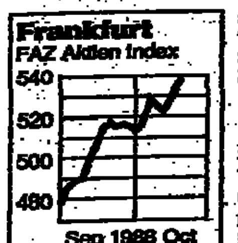
Last week, it looked as if the scandal was even becoming dangerous for LDP leaders, as opposition parliamentarians revealed a list of some beneficiaries of the Recruit Cosmos share distributions that included the name of Mr Kiichi Miyazawa, Finance Minister.

Yesterday's raids indicate that the prosecutor has concluded there is strong evidence that Mr Narazaki's claim is well founded. An official in the prosecutor's office said it was thought that the bribery was an organised effort to stifle investigation of the share distribution involving several Recruit group officials, and not a personal initiative by Mr Matsubara.

The prosecutor is thought to be searching not only for evidence of who was involved in the Narazaki bribery attempts, but also the identities of all the beneficiaries of the Recruit Cosmos share sales.

MARKETS

Frankfurt
FAZ Aktien index



INTEREST RATES
US
Federal Funds 8⅝% (8⅞)
3-mth Treasury Bills: yield: 7.646% (7.614)
Long Bond: 102 13/32 (102¾)
yield: 8.886% (8.854)
London
3-month interbank close 11 31/32% (11 15/16)

STERLING
New York
$1.751 (1.7475)
London:
$1.751 (1.7515)
DM3.17 (3.16)
FFr10.825 (10.785)
SFr2.68 (2.67)
Y223 (221.75)

DOLLAR
New York
DM1.813 (1.8105)
FFr6.1915 (6.179)
SFr1.5325 (1.53)
Y127.4 (127.15)
London:
DM1.811 (1.8045)
FFr6.1825 (6.1575)
SFr1.53 (1.5245)
Y127.3 (126.65)

GOLD
New York latest
Comex Dec
$414.7 (415.1)

STOCK INDICES
New York
Dow Jones Ind. Av.
2,137.27 (-22.58)
S&P Comp
275.87 (-3.51)
London:
FT-SE 100
1,862.4 (+5.4)
World:
131.35 (Tues)
Tokyo
Nikkei Ave
27,293.6 (+151.69)
Frankfurt
Commerzbank
1,631.0 (+11.2)

OIL
Brent 15-day (Argus)
$13.295 (+.42) (Nov)
West Tex Crude
$15.185 (+.51) (Nov)

CONTENTS

Bankers hold fire on riot-hit Algeria's credit standing

Despite devastation wrought by a week of bloody riots in Algeria, world bankers are not hurrying to reassess the credit rating of North Africa's largest borrower until they see the effect on President Chadli's standing
Page 4

EUROPEAN NEWS

Sandoz warns Swiss over environmental delay to plant

By Peter Marsh in Basle

SANDOZ, the large Swiss chemicals company, has warned that it may site a new SFr170m (£63.6m) factory in another country if it encounters resistance on environmental grounds to the project going ahead in Switzerland.

The warning is a further sign of the frustration felt by chemical companies in Switzerland and West Germany at the impact that these nations' increasingly tough environmental legislation is having on some of their investment plans.

BASF, Hoechst and Bayer, West Germany's three biggest chemical companies, have all expressed irritation in recent months at the extra cash they have to spend on environmental protection as a result of Bonn's strict anti-pollution laws.

In Switzerland, Ciba-Geigy, the country's biggest chemicals producer, has also recently run into problems over plans to build a waste disposal facility.

The difficulty in the case of Sandoz concerns a plant it wants to build in Basle, where the company has its headquarters and many of its most important factories.

The plant would produce chemical ingredients for Sandimmun, a drug widely used in transplant surgery and one of the company's best-selling products. Sales are running at about SFr300m a year, and the company wants to start building a plant as quickly as possible so it can begin production there in 1991.

But Sandoz believes it is likely to encounter delays in obtaining planning permission from the Basle city authorities. This is because of a lengthy inquiry into the environmental effects of the proposed factory which has to take place before approval can be given.

Mr Hans-Peter Sigg, vice president of Sandoz, said the company would prefer to site the plant close to its other main factories, but it had prepared plans for building outside Switzerland should serious delays occur. He declined to say where.

Sandoz was involved in a big environmental controversy two years ago when one of its Basle warehouses caught fire.

Italians seek greater control of their airwaves

Alan Friedman assesses the heated debate over proposals to tighten the regulation of TV

In Italy there are few issues as hot as the controversy over the country's mixed state and private television network. But while in other countries the issue concerns the implications of deregulation, the Italian debate starts from a different premise – what sort of controls are best for the country's unwieldy and unregulated television system?

Italy is one of the few Western industrialised nations that does not have a national broadcasting authority. What it does have is the Radiotelevisione Italiana (RAI) system of three state networks, the privately-owned Berlusconi system of three commercial networks, and a total of 1,100 locally owned stations up and down the Italian peninsular.

The quality of Italian documentaries is high and good films are frequently shown on television. The vast number of stations, while often of low quality, also means that the Italian viewer has a substantial breadth of choice.

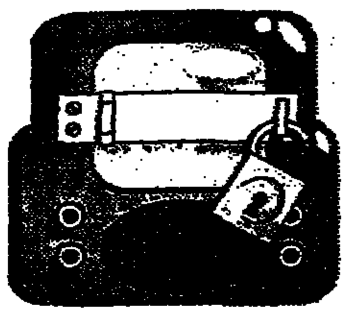
But the rapid growth of the Berlusconi system which has put it neck and neck with the RAI network – each accounting for around 45 per cent of the prime time audience – has prompted savage competition.

As a result there is wide agreement on the need to provide some form of regulatory structure to control this free-for-all. Mr Andrea Borri, the president of the parliament's oversight committee on television, for example, claims that Italy must have "a central broadcasting authority as in other countries."

The issue is considered so important that it represented a key negotiating point last spring during the formation of the new coalition government of Prime Minister Ciriaco de Mita. Further, because the media in Italy is regarded – even more than elsewhere in Europe – as a lever of power, the battle for influence is interminable.

The De Mita government's original proposal included a provision that would proscribe newspaper proprietors from entering the television market and vice versa. This so-called "zero option" would have forced Mr Berlusconi to divest his Milan newspaper – Il Giornale – and would prevent the Agnelli group from taking up an option in Telemontecarlo, a private television station.

The "zero option" was criticised in an opinion from the Constitutional Court last June,



DEREGULATION OF BROADCASTING

but some variant could well emerge in fresh legislation.

Currently, the debate revolves around a proposal which would give Mr Berlusconi the right to live broadcasting (at present he can only transmit pre-recorded tapes) and would at the same time introduce anti-trust rules for the media.

Mr Oscar Mammi, the Minister of Post and Telecommunications says, however, that he favours the idea of a rule that would prevent any single group with more than 20 per cent of the daily newspaper market from owning television stations and vice versa for television owners. Such a rule would clearly hit the Agnelli and Berlusconi groups.

Mr Ugo Intini, the 47-year-old vice-president of Mr Borri's parliamentary committee and also the Socialist Party spokesman, denies the widespread charge that his party favours the interests of Mr Berlusconi, who is a long-time friend of former Premier Bettino Craxi. Instead he protests about the "anomalous situation in Italy where the press is owned not by pure publishers, but by industrialists."

For Mr Intini there is an "oligopolistic concentration of media power by the Fiat group which has already been declared to be in violation of the law."

Mr Craxi's party, he says, fears that the industrialists could achieve "their own kind of political philosophy, as a self-reinforcing oligarchy" if they are allowed to diversify from the press to television.

Mr Berlusconi, asked for his view, replies that "I would be a fool to think about siding with one party or another." He insists that "RAI is the television of the politicians and my networks are for the common people."

The private television magnate, reacts immediately when asked about the other charge that is levelled by Italian intellectuals, namely that his broadcasting of American serials such as Dallas and Dynasty or quiz shows and Hollywood extravaganzas represents a form of "cultural imperialism".

He promises that Berlusconi television is adding more current affairs programming and claims that his own stations do not have pornography. He does, however state that this is still a problem when it comes to locally owned stations.

Among the most delicate issues being discussed in the current debate is the question of how to carve up the lucrative advertising pie, which this year is expected to attract a total of L3,500bn ($2.57bn) of revenues.

At present the largest single seller of advertising is Mr Berlusconi's Publitalia, which last year received L1,685bn and this year is expected to top the L2,000bn mark. Publitalia sells space not only for Berlusconi television but also for other private networks.

The RAI networks are restricted by a fixed ceiling that will this year be around L900bn. But RAI attains the overall Publitalia revenue level because it also receives licence fees, which this year should come to L1,400bn.

Mr Mammi proposes that half of all television advertising in Italy be guaranteed to RAI and that an *advertising* company which is part of a television group should channel up to 90 per cent of its advertisements to the same group's stations. Others in parliament want to avoid such limits, which would clearly affect Mr Berlusconi's advertising reach.

A further unresolved matter is the future of satellite broadcasting. At present RAI has exclusive rights for live satellite broadcasts and has booked two channels on the Olympus satellite, to be launched next year.

Under the proposals before parliament, however, Mr Berlusconi and other private networks would be permitted to broadcast live using satellites.

The issue became especially salient a few weeks ago when Mr Berlusconi used a satellite to beam a football match he had recorded just minutes before it was shown. This nearly-live broadcast was considered provocative in Italy, although Mr Berlusconi insists he was inside the letter of the law.

Opposition criticises Hungary's new poll law

By Leslie Colitt in Berlin

THE PROPOSED new election law for Hungary, published this week, is scarcely more democratic than the present law dating from the Stalin era, say opposition groups.

The draft law would allow only state-sponsored organisations to nominate candidates for elections. The opposition had called for "spontaneous" nominations.

Mr Ferenc Koeszeg, publisher of the opposition journal, *Beszelo*, called the proposals "very restrictive", but he hoped they would be altered in the course of a public debate. "It is still unclear what form this debate will take."

The reform-minded leadership under Mr Karoly Grosz recently submitted for nationwide public debate a draft law regulating the right to establish associations. In the course of the debate, the opposition complained that the draft excluded the founding of political parties.

Officials replied that the draft law would be altered so that people could form associations for any purpose not expressly illegal. This goes before Parliament next month.

Mr Imre Pozsgay, a leading reformer in the politburo, said recently that, although there was "no possibility yet" of organising parties in Hungary, alternative movements could become the "bearers of a party organisation" if they sought a "democratic consensus."

Mr Koeszeg remarked that party officials frequently spoke of the possibility of a multi-party system as if it were a "minor technicality, instead of being the central issue."

Further evidence of reforms, however, was provided by Karl Marx University of Economics in Budapest, which began the new term by banishing the traditional Communist subject of "Political Economy."

Ms Katalin Szabo, head of the Department of Political Economics, said a new curriculum was introduced which rid economics of the attribute "political."

"We are out to acquaint our students with the rules of a real market economy," she noted. "After all, the creation of one will fall upon them."

Hopes revive for Italian political reform

By John Wyles in Rome

UNTIL LAST Thursday, Mr Antonio Maccanico appeared to have one of the least promising jobs in the Italian Government. The waste bins of Italian politics have been regularly stuffed in recent years with proposals for political and institutional reform, and his appointment last April as the Minister for Institutional Reform seemed the triumph of hope over experience.

But, last week, the lower house of Parliament, the Camera, demonstrated an unprecedented desire for self-improvement by imposing tight restrictions on its use of secret voting – a practice which has unseated many a Government and masked a variety of political and venal sins.

This is a powerful tonic for the reformers' cause, and Mr Maccanico now has something to build on to achieve the coalition's proclaimed desire of modernising the Italian political system and making it more efficient.

Curbing the secret vote was a key item on the Government's list of reforms but, says Mr Maccanico, not enough to remedy all the weaknesses of Italian political performance. It also creates a danger.

"I believe governments will have to take the views of parliamentary groups much more into account than in the past and that legislative proposals will have to be framed more carefully to be sure of their support. If not, I see a danger of greater absenteeism from Parliament since members will stay away rather than vote against their Government."

Absenteeism is already a serious problem and one way it has to be tackled, he says, is by a proper timetabling of parliamentary work. "At present members do not know when they will vote, nor on what."

This is a product of a vicious circle: much legislation is held up in Parliament because members struggle to meet the 60-day deadline for ratification of legislative decrees which governments have been forced to issue increasingly because they cannot be sure that normal legislation will be dealt with in reasonable time.

Mr Maccanico says that Mr Ciriaco De Mita's coalition Government has a proposal ready for producing a properly planned parliamentary timetable for the Camera.

Another priority, says Mr Maccanico, is to thin out the extraordinary duplication of work between the Senate and the Camera.

The coalition has not yet reached an internal agreement on what to do, but Mr Maccanico also strongly favours parliamentary redundancies, cutting the numbers from 315 in the Senate and 630 in the Camera to 200 and 400.

Also high on the Government's agenda is a search for greater political stability and administrative efficiency in local government, partly by changing the way it is financed but also by introducing new disciplines on party behaviour.

Mr Maccanico is working on proposals to give regional governments real planning powers and to create a technical task force for helping local governments in the south where such capacities are sadly lacking.

And how long does he think it will take for the government to achieve its institutional reform agenda?

"I don't know whether it can be done in 12 months or whether it will need longer. But I do think it can be within the lifespan of this Government," he says.

European consumers' body says CFC pact inadequate

By William Dawkins in Brussels

THE main European Community consumers' lobby group condemned as inadequate newly ratified international accords to curb production of chlorofluorocarbons (CFCs), suspected of damaging the earth's upper atmosphere.

The bureau of European consumer unions (Beuc) warns that the Montreal Protocol on reducing CFC output, signed by 31 states last year, "will not suffice to halt the destruction of the ozone layer," which filters out harmful solar radiation.

It calls for the phasing out by 1995 of all production and consumption of CFCs and cites recent studies by the US space agency, Nasa, as evidence that the destruction of the ozone layer is far more serious than previously suggested.

Beuc's warnings come only days after the EC, which produces 40 per cent of the world's CFCs, ratified the Vienna Convention on the protection of the ozone layer and announced that it would immediately enforce the Montreal accord.

The latter is being adopted as a Community regulation, which means member states are obliged to freeze CFC output from the middle of next year, cut it by 20 per cent by 1993, with by a further 30 per cent by 1998.

The Community plans to ratify the Montreal Protocol in the next few weeks.

The entire scheme cannot come into legal effect until ratified by countries representing more than two thirds of the world's CFC production. So far, only six governments have ratified.

Another year of expansion seen for French economy

By Ian Davidson in Paris

FRANCE'S ECONOMY is expected to continue to expand strongly next year, if not as swiftly as in 1988, according to two independent forecasts.

The projections, which parallel an upward revision in the Government's own economic forecasts, came as France braced itself for a day of concerted industrial action today by public service employees, notably public transport workers and teachers.

They also coincide with publication of official figures showing that industrial production continued to expand rapidly during the summer, growing during the July-August two-month period by 0.7 per cent compared with June, and by 4.9 per cent compared with June 1987.

According to the Ipecode institute, France's gross domestic product is likely to grow by 3.8 per cent this year and 3.1 per cent next. The forecast by the Observatoire Français des Conjonctures Economiques (OFCE) expects 3.5 per cent growth this year and 2.4 per cent in 1989.

Nevertheless, the Government continues to reiterate its determination not to surrender the policy of economic and budgetary rigour. Yesterday, Mr Pierre Bérégovoy, the Finance Minister, stressed the Government's sympathy for underpaid workers in the public sector, but made clear that it "could not do everything at once". Similarly, President François Mitterrand has stressed that the rectification of past injustices would take time.

The Government's firm line will be tested by the strikes and demonstrations called for today by all the main trade unions, which are likely to paralyse public transport in the capital.

On Tuesday the strike call issued by the CGT Communist trade union secured only a half-hearted following, though it was enough to disturb metro and bus transport. Meanwhile, the nurses' strike appears to be losing momentum, amid hints that the nurses might be prepared to see their pay demand spread over two or three years.

The OFCE forecast stresses several encouraging factors in the evolution of the French economy, notably the sustained level of investment and the brake on the loss of international competitiveness.

Industrial investment is set to rise by 11 per cent this year, and 8 per cent next year, while the deterioration in the trade balance is expected to level off in 1989. In addition, there has been a clear underlying improvement in the employment situation, with the creation of 88,000 jobs between June 1987 and June 1988.

Government takes steps to curb electoral fraud

By George Graham in Paris

THE FRENCH Government plans legislation to reduce electoral fraud, after the record number of complaints of ballot-rigging in this year's legislative elections.

Mr Pierre Joxe, the Interior Minister, yesterday published a bill which will scale down proxy voting and make voters themselves, rather than the ballot assessors, sign the electoral register.

The two measures are aimed principally at cleaning up the elections in Corsica and in Communist-controlled constituencies, where allegations of ballot-rigging have been widespread for years.

In Corsica, ministry studies showed that proxies accounted for more than half the votes cast in several wards in the 1985 cantonal elections. The two departments of Corsica are the only ones in France where the turnout is higher in local than in national elections.

In future, proxy voting will not be permitted for people whose principal residence is outside the constituency.

Making voters sign the register themselves is expected to help reduce "urn-stuffing" in a number of mainland constituencies. It has been a relatively widespread practice for envelopes of false ballots to be added to the count, with the assessor signing off extra names on the register in order to make this coincide with the number of votes cast.

The practice is viewed as especially common in Marseille and in the Communist-held suburbs of Paris.

A total of 96 complaints covering 78 constituencies was lodged with the Constitutional Council after the June legislative election. Of these, 46 have already been rejected, but 50 of the most delicate cases, relating to 45 constituencies, remain to be judged.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, Copenhagen, DENMARK

ANNUAL ECONOMIC REPORT SHOWS COMPANIES GEARING UP FOR ADVENT OF SINGLE MARKET

EC boom paving way for 1992, says Commission

By David Buchan in Brussels

THE CURRENT economic boom in the European Community, with average growth estimated at 3.5 per cent this year and 2.75 per cent next, is providing the best possible run-up to the goal of a single EC market by 1992, according to the European Commission's annual economic report.

Published yesterday, the report suggests that the investment-driven boom stems in part from the conscious decision of European companies to gear up for the larger market of the early 1990s.

But it also warns that the 1992 programme requires an increase in economic activity, coupled with new EC social measures, in order to cushion the blow of restructuring and expected job losses, occurring at a time when the Commission predicts unemployment will stay stubbornly high, at 11 per cent into 1989.

Presenting the report, Mr Peter Schmidhuber, the West German commissioner responsible for Brussels' macro-economic projections, said yesterday: "You have to go back a long way to find figures as good as in our forecasts for 1988-89."

Growth this year and next looked like being the strongest since the late 1970s, he said. The expected 7 per cent increase in investment this year would be the highest for two decades, while the average EC inflation rate of 3.5 per cent predicted for this year was also at the level of the 1960s.

The Commission report is markedly more optimistic than last June's forecast of EC growth produced by the Organisation for Economic Co-operation and Development. That said the EC would grow by only 2.5 per cent this year and 2 per cent in 1989. But inflation, as measured by the gross national product deflator, would fall to 3.25 per cent next year from 3.5 per cent in 1988, the OECD said.

Mr Schmidhuber said he saw no reason for realignment of exchanges rate parities in the European Monetary System "in the foreseeable future". Despite the fact that the gap in the current external balances between surplus and deficit countries in the EC had increased, he argued that "in West Germany's major EC trading partners, there are cost developments very similar to West Germany's."

Though West Germany continued to run a strong current account surplus amounting to 4 per cent of its gross domestic product, this was partially offset by a capital outflow.

He rejected the idea that the Commission was now erring on the side of optimism as much as it, and other international forecasters, erred on the side of pessimism in the wake of the stock market collapse.

Among uncertainties in the international economy were high debt levels and the US budget and trade deficits, he said, though he saw no reason why, even with a change of administration in Washington, the US should not continue in 1989 the progress it had made this year in reducing its trade deficit.

GROSS DOMESTIC PRODUCT*
(at constant prices)

	1987	1988**	1989**
Belgium	1.8	3.0	2.25
Denmark	-1.0	0	1.75
W Germany	1.9	3.25	2.5
Greece	-0.4	2.75	2.0
Spain	5.2	4.75	4.0
France	2.3	3.0	2.75
Ireland	4.1	3.0	3.25
Italy	3.1	4.0	3.25
Lux'b'g	2.4	3.0	2.5
N'lands	1.5	2.25	2.25
Portugal	4.6	4.0	3.5
UK	4.3	3.75	2.5
EC	2.9	3.5	2.75
US	3.4	4.0	2.25
Japan	4.2	5.5	3.75

*GNP for US and Japan
**Forecasts

Source: EC

The Commission report singles out four areas of concern for the EC itself. Despite an increase in jobs, the rise in numbers of people coming on to the European labour market meant that the unemployment would not fall below 11 per cent next year, though it would be marginally down from 11.25 per cent this year and an average 11.6 per cent last year. So policies for labour flexibility and mobility had to be further promoted, Mr Schmidhuber said.

Second, there was a risk of renewed inflation, reflected in the Commission prediction that the Community average rate of price rises would edge up to 3.75 per cent next year.

Third, 1988-89 was unlikely to see any convergence in budget balances between the 12 EC states, with excessive deficits persisting in Belgium, Ireland, Greece and Portugal.

Lastly, there was the growing disparity in the external payments positions of EC countries. This had occurred despite the fact that overall economic growth was now more evenly spread. The recent dynamism of the UK, Spanish, Italian and Portuguese economies had extended to EC partners such as West Germany and France, which are major suppliers of investment goods. But the payments disparities were not such as to rock present EMS exchange rate parities.

Mr Schmidhuber stressed that, taking capital outflows from West Germany into account, "the tension within the EMS is not as great as one would believe from straightforward examination of the current account imbalances".

Mr Antonio Costa, director general of the Commission's financial and economic affairs division, also commented that EMS realignments tended to be "driven by deficit, not surplus, countries." He noted that the French and Italian trade deficits were only likely to amount to 0.4 and 0.2 per cent of GDP, respectively, for 1988.

However, the Commission report notes that instability of the dollar – the origin of some recent rumours of possible EMS realignments – remains a potent influence on the EMS.

EC-wide air traffic system call

By David Buchan in Brussels

THE EUROPEAN Commission yesterday proposed to the 12 Community states that they create a single air-traffic management system to alleviate the congestion which plagued many travellers last summer, and which otherwise seemed certain to increase in the future.

The Commission initiative was tabled the day before Transport Ministers from the 22 countries which participate in the European Conference on Civil Aviation (ECAC) are due to meet in Frankfurt to discuss more co-ordination in traffic handling.

It reflects, in part, growing pressure from the European Parliament for the EC states to create a more integrated system than might be achieved on a wider geographic basis.

In place of the eight airflow management systems now operating in the EC, the Commission proposes a single system, based on the existing Eurocontrol organisation based at Maastricht, in the Netherlands.

The Brussels executive is also asking EC member states to co-ordinate the way they plan and buy navigation equipment, set out control procedures, and train controllers. It is in addition asking member states to cede more military air space for civil use.

Mr George Anastassopoulos, chairman of the Transport Committee of the European Parliament (whose 520 members are great users of Europe's clogged airlanes), yesterday welcomed the thrust of the Commission plan.

Italy balks at Brussels deadline for steel closures

By William Dawkins in Brussels

THE EUROPEAN Commission yesterday called for strict conditions on the Italian Government's request for EC clearance to pay up to L7,670bn (£3.24bn) state aid for Italy's loss-making state-owned steel industry.

Italian officials rejected a Commission deadline for closures next March as too tough. But are understood to accept other conditions suggested by Brussels for limiting the maximum amount of aid and monitoring the enforcement of the rescue package.

A majority of EC member states led by West Germany have signalled in meetings with Commission competition experts that they think Brussels' conditions are too weak.

This division is a serious, though predictable, blockage for the Italian government rescue plan for the reorganised state steel company Finsider, renamed Ilva after its voluntary liquidation last June. Rome cannot legally pay Ilva anything until the package has the unanimous support of all 12 EC governments.

In return for the aid, Rome is offering to close five mills with 1.2m tonnes of hot rolled capacity, a 3.4m tonne smelter at Bagnoli near Naples, and to sell five more plants to the private sector.

It cannot accept Brussels' proposal that the closures and disposals must be completed by the end of March, with a reprieve for the Bagnoli smelter until June, said officials. The original Italian plan set a a vague deadline for up to and beyond 1990.

Rome is understood to accept the Commission's condition that the aid should be automatically scaled back if the cost of servicing Ilva debts inherited from the old Finsider ever falls below 4.5 per cent of turnover. This is a rule of thumb which the Commission applies to all decisions on steel company aid. Italy is also believed to accept Brussels request for on-the-spot monitoring to ensure the conditions are honoured.

The Commission's proposal deliberately aims to steer a middle way between Rome and the member states that want tougher cuts in Italy's steel capacity, so as to provide a starting point for EC industry ministers to debate Ilva's future at a meeting in Athens tomorrow. It avoids mentioning the highly sensitive subject of Bagnoli's 2m tonne hot rolling mill, which several member states want to see closed.

West Germany, the EC country which has closed the most steel capacity, has long complained that it is unfair for its steelmakers to have to compete against subsidised Italian plant. Bonn's strongest supporters are the UK, France and the Netherlands.

Rome is very unwilling to add to the high unemployment in that region, but is under severe pressure to agree if the entire plan is not to be blocked.

Gandhi criticises policy on import substitution

By David Housego in New Delhi

THE PRINCIPLES which have long governed Indian economic and industrial policy were dealt a serious blow this week when Mr Rajiv Gandhi, the Prime Minister, told a gathering of scientists that import substitution in the field of technology was the biggest mistake that India had made.

Import substitution – the development of industry behind protective barriers – was the doctrine espoused by his grandfather Jawarhlal Nehru, and his mother, Mrs Indira Gandhi as a cornerstone of their industrial policy. It still has a strong following within the Congress-I Party and the opposition where the ideology of "self reliance" reflects the distrust of foreign investment and market oriented policies. On the far right, the militant Hindu movement, the RSS, also holds fast to the doctrine of swadeshi – or to preferential purchasing of Indian made goods.

Mr Gandhi told the scientists that it was time the mistake of import substitution was recognised. He said that by the time Indian scientists and technologists had developed third and fourth generation import substitution technology, other countries were ahead with the next generation technology.

The same day the Prime Minister told the Planning Commission that other countries in the Pacific region were growing at a faster rate than India. He warned that without a higher growth rate, India's economic weight in the world would diminish. All the fast-growing countries of the Pacific Rim have achieved international competitiveness by the type of outward looking policies that India until recently had shunned.

The Prime Minister's remarks on the competition from the Pacific went side by side with declarations that the Government would put more emphasis on social welfare programmes to provide better housing, educational and health care. These themes are bound to be uppermost in policy statements during an election year. But the warnings on import substitution track the course he intends to follow should he win.

In similar vein, Dr Bimal Jalan, the outgoing chief economic adviser at the Ministry of Finance, who is moving to the IMF, said that India's system of industrial licensing had "in several cases led to a mismatch of supply and demand, high costs and rigidity in industrial structure".

Indian workers to get Sri Lankan citizenship

By Mervyn de Silva in Colombo

THE Sri Lankan Cabinet has approved a controversial bill to grant citizenship to 233,000 Indian Tamil plantation workers.

The decision came after a heated two-hour discussion by the ministers who were fully alive to the political implications of the issue on the eve of a presidential election. In the end, Mr S. Thondaman, president of the Ceylon Workers Congress, the island's largest trade union, won the day.

The CWC has nearly 1m members in the strategic plantation sector. Mr Thondaman is also Minister of Rural Industrial Development. It is no secret that he spoke of "retiring from politics" if the citizenship issue was not settled. It was a thinly veiled warning that the plantation vote, a crucial block vote, may not necessarily go to Prime Minister Premadasa who is facing a formidable challenger in Mrs Sirimavo Bandaranaike, the former prime minister.

Elections apart, the bill will finally settle the vexed post-independence problem of 1m "stateless" persons of Indian origin. Soon after independence in 1948 the majority Sinhalese-dominated parliament, alarmed at the number of seats won by Indian labour at the 1947 polls, passed new citizenship laws. The Government argued that the indentured labour brought from south India by British tea companies was a "British responsibility". The citizenship laws led to a situation where there were 975,000 "stateless" persons by 1964.

Under two agreements, signed by Mrs Bandaranaike, Prime Minister at the time, with Prime Ministers Lal Bahadur Shastri and Mrs Indira Gandhi, India agreed to accept 525,000 as its citizens, and Sri Lanka 300,000. Later, the balance,150,000 was split down the middle, leaving India with 600,000.

The choice of citizenship was strictly voluntary. Only 506,000 applied for Indian citizenship. The 233,000 which Sri Lanka has now agreed to accept is the balance of 94,000 and its natural increase.

World Bank debt relief programme launched

By Julian Ozanne in Nairobi

A "FIFTH dimension" of the World Bank's Special Programme of Assistance to help indebted Third World countries was launched in Nairobi on Tuesday.

The scheme will provide extra funds from the International Development Association, the concessional loan affiliate of the World Bank, to countries with outstanding debt to the bank which have have subsequently lost their creditworthiness and are no longer eligible for International Bank for Reconstruction and Development loans.

About $420m will be made available over the next five years from 10 per cent of IDA reflows. Seventeen IDA countries, mostly in sub-Saharan Africa, will receive the new funds to help with interest payments on outstanding IBRD loans.

The money will be in the form of quick disbursing loans chanelled in addition to structural adjustment credits and in direct proportion to outstanding interest obligations.

Mr Peter Eigen, Director of the World Bank's Regional Mission for East Africa, said only countries with an effective adjustment programme in place and which are current in their repayments to the Bank would be eligible for the new funds. Kenya, Uganda, Malawi, Tanzania and Ghana are expected to do particularly well under the plan.

Kenya currently owes IBRD more than $1bn and has interest obligations of $90m – about one third of the total debt burden owed by the 17 IDA Special Programme countries to IBRD.

Kenya alone could get up to 30 to 40 per cent of the total available because of the size of its debt obligations and its good record on debt service repayments, Mr Eigen said.

The new debt facility allows the World Bank to refinance its loans which could lead to some criticism that it technically breaches the principle that IBRD loans cannot be rescheduled. "I think we have to live with this suspicion. These are countries which at some point were creditworthy for World Bank loans and they are making a tremendous effort to service the loans," said Mr Eigen.

China watches an elegy to reform on TV

A provocative television series has found a new audience, reports Colina Macdougall

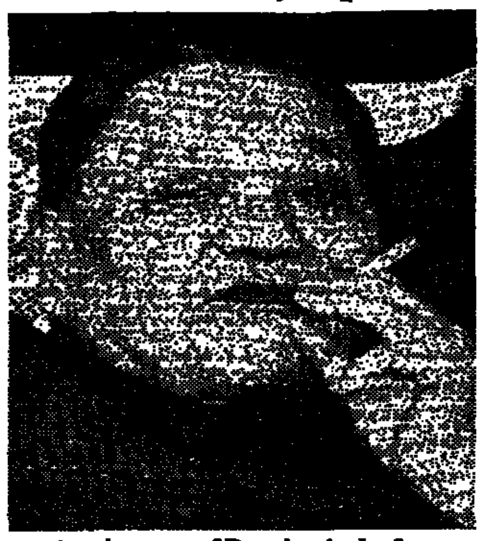
CHINESE viewers are still reeling from the shock of a devastating six-part TV series, shown not once but twice during the summer, which proclaimed China's much-vaunted ancient culture as moribund and unable to face the challenge offered by modernisation.

The programmes have sparked a renewed if still low-key discussion in the media on how to amend Chinese politics and Communist Party shortcomings. These topics were discussed vigorously in 1986 but the debate was quashed early last year when Hu Yaobang, identified in China with the liberal cause, was sacked from his job as party general secretary.

Since then, China's intellectuals, who at that point were becoming increasingly vocal, have played little obvious part in the reform. Many economists have been relegated to the sidelines and political theorists silenced.

China wastes its talented people, Lu Yi of the liberal Shanghai paper World Economic Herald said recently, and without their brainpower, implementation of the reform is like "groping the way across the river." The TV series reportedly focused on the nature of Chinese culture today, and found a mixture of violence, ignorance, resignation and conservatism. In the final episode, the authors virtually wrote off as wasted all the years since China's "May 4" protest movement of 1919 – more than the lifetime of the Chinese Communist Party – suggesting that little had changed since. As for China's intellectuals, it commented that "economic impoverishment and spiritual repression and manipulation are still part of their daily lot."

Most interesting was the fact that the programmes conveyed these thoughts right into the homes of citizens who probably do not even read the People's Daily, China's top official newspaper, let alone the academic papers which later carried press debate. Even China's intellectuals, who make up the chief constituency for political reform, do not generally believe that the masses are ready for intelligent political choices.

Hu (left), seen as a liberal, was sacked as general secretary in a year of Deng-inspired reforms.

Since Hu's political demise, real political and cultural reform, such as the new debate seems to call for, has been a non-subject, though structural change – chiefly the separation of the party from management – is supposed to be under way. However, in recent months officialdom has been preoccupied with inflation and attendant problems so even that reform, unpopular in any case with the many mid-level officials certain to lose out, is making little progress.

Yet the TV series, *Heshang* (River Elegy), must have been approved at the highest level to get its repeat showing. Or, as several analysts think, it may simply have slipped past the leadership because the vast problems of managing China's ongoing economic reform may have reduced decision-making to a state of near-paralysis.

On its most obvious level, River Elegy reportedly makes the case for China's move towards a more open society and stronger foreign links. Positing a crisis in the traditional inward-looking farming-based culture, it seeks to discard it in favour of the outgoing attitudes proposed by Deng Xiaoping, the supreme leader, and Zhao Ziyang, his protégé. But at a deeper level it attacks the irrationality and conservatism of party policy as symbolised by revered cultural objects like the dragon king of the river waters and the Great Wall.

One of the biggest deceptions Chinese practise on themselves, the series implies, is to blame the western onslaught on China in the 19th century for all the country's woes since then. Instead of taking a self-critical look at the national culture and trying to amend it, Chinese take refuge in reflecting on the glories of the past.

The most optimistic programme of the series shows the key party meetings of 1979 and 1987 where Deng and Zhao boosted the reform policies, but the cyclical nature of Chinese politics and the ever-present threat of a new clampdown is symbolised throughout by the unpredictable and destructive flooding of the Yellow River.

Other writers have now cautiously taken up these and similar themes. China still suffers from feudal autocracy, wrote Bao Xingjian, a social scientist, in the Bulletin of Theoretical Study in July. Currently still almost mediaeval, he added, the Chinese have no real sense of democracy and many officials exploit the power this gives them.

Zhang Mingshu argued in the China Cultural Gazette last month that China needs a secular renaissance like that of Europe in the 16th century to rid it of the semi-religious political concepts of unchangeable dogma and mystery of government passed on from imperial times. Both writers, like the TV series, steer carefully around open criticism of the present system, but the meaning is not in doubt.

Others have taken up the crisis theme. Hua Chaoming in the China Daily criticised the perpetual tendency of Chinese propaganda to overstate the good and ignore the bad – pointing to the fact that China has doubled its GNP in the past 10 years, but is still losing ground when compared with other nations. There is also a moral crisis in the country as greed and corruption become commonplace, said Wang Runsheng of the Academy of Social Sciences.

Lack of a sense of crisis makes the Chinese "blindly arrogant," said Li Ming, a researcher from the Ministry of Civil Affairs.

Perhaps most daring, Yu Wujin in the People's Daily criticised the subordination of the individual to "the masses," remarked on China's preference for foreign ideologies which did the same (he pointed to Stalinism) and implicitly attacked Mao's concept of the good citizen as a cog in the machine.

None of these writers has been as bold as the young group of authors of the TV series, or is likely to have the same impact. But the rebirth of any debate is a hopeful sign. Even if tempted by its current problems with the economy, the leadership would find it almost impossible to stuff the genie of reform back into its bottle.

S African dissidents leave refuge

By Anthony Robinson in Johannesburg

A POTENTIAL diplomatic incident between Washington and Pretoria came to a low-key conclusion yesterday when three anti-apartheid activists who sought refuge in the US consulate in Johannesburg last month walked out and the police made no effort to detain them again.

Mr Murphy Morobe and Mr Mohammed Valli of the United Democratic Front and Mr Vusi Khanyile of the National Education Crisis Committee were all detained without trial under the emergency regulations but escaped from hospital to draw attention to the fate of hundreds of other activists still in detention.

The three failed to attract the publicity generated in 1984 when a group of Indian activists holed up in the British consulate in Durban.

This was partly because Pretoria undertook not to re-arrest them, and partly because the US consulate barred access to the press. The three decided to leave the premises after receiving a message from Mr Nelson Mandela, the jailed African National Congress leader.

● Mr F W de Klerk,the minister responsible for sport, yesterday called rugby leaders into his office to underline the Government's anger over last weekend's controversial bid by the South African Rugby Board to enlist support from the ANC for its re-entry into international sport.

Meanwhile, ANC and South African soccer representatives yesterday pledged to work towards the long-term goal of getting South African soccer back into the world arena, Reuter reports from Lusaka.

In the short term, they agreed to strengthen efforts to isolate "racist sport" by opposing tours of South Africa by soccer teams that contravened the existing international sports boycott of the country.

Marching down the aisle: 84 Taiwan army officers get married in a ceremony presided over by the army's commander in chief. Each couple was given a cash gift worth $75.

Afghan Politburo sackings

PRESIDENT Najibullah's ruling People's Democratic Party (PDPA) of Afghanistan sacked two Politburo members yesterday as rebels showered rockets on Kabul, killing nine people, Reuter reports from Islamabad.

The official Kabul Radio said the central committee of the party, while discussing the security of the capital, removed Mr Saleh Mohammad Zerai and Mr Abdolzohur Razmju from its Politburo and from its secretariat.

The radio gave no reason for the action. However, it said details of the proceedings of the committee plenum, chaired by President Najibullah, would be published later.

The announcement came just after the official Soviet Tass news agency said 60 ground-to-ground rockets fired by Moslem rebels rained down on Kabul for six hours yesterday.

One rocket hit a house near to the Kabul airport. It killed nine people, wounded 18 and destroyed or damaged a number of houses, according to Kabul radio.

Jordan moves to halt currency slide

By Our Foreign Staff

JORDAN'S Central Bank yesterday sought to halt a sharp slide in the value of the dinar since the currency was partially floated last Saturday, by telling commercial banks and money changers to deal close to its posted exchange rates.

Mr Maher Shukri, the deputy Central Bank governor, told a local newspaper: "Anyone buying dollars for 450 fils or more will lose." This compared with yesterday's Central Bank rate of 443 to 445 fils to the dollar and with free-market rates of well over 500 fils on Tuesday. There are 1,000 fils to a Jordanian dinar.

The move to reintroduce stability to the market followed a fall which has wiped 15 per cent off the dinar's value against the dollar since the Central Bank moved to align its exchange rates more closely with the free market last Saturday. The dinar has fallen further against European currencies.

Although banks were yesterday complying with the Central Bank's instructions, traders were uncertain how long the calm would last.

The currency's slide follows mounting pressure on the dinar on the free market as a result of declining foreign currency reserves and a stubbornly high public-sector deficit. It was fuelled by political worries and this week by speculative buying of dollars.

MPs' trip to Syria upsets UK

By Andrew Gowers, Middle East Editor

FOUR British MPs flew to Damascus yesterday for a week-long visit which has embarrassed and irritated the British Government as it holds out against pressure to restore relations with Syria.

The four – Mr Robert Adley and Mr Robert Hicks (Conservative) and Mr Andrew Faulds and Mr Stuart Randall (Labour) – hope to meet Mr Farouq al-Sharaa, the Syrian Foreign Minister, and possibly President Hafez al-Assad. Their talks will cover a range of issues including Anglo-Syrian relations and the prospects for the release of Western hostages held in Lebanon.

However, the Foreign Office has been urging the MPs – most of whom have long-standing connections with the Arab world – not to go, and last week took the unusual step of publicly dissociating itself from the visit.

Britain broke off diplomatic relations with Syria in October 1986 after a London court heard evidence of official Syrian involvement in a plot to blow up an Israeli airliner at Heathrow airport. Mr Assad has consistently denied involvement, but Britain has stood alone among Western countries in refusing to contemplate renewing ties until Syria takes steps to dissociate itself from terrorism.

The Government fears that the trip will "send the wrong signals" to the Syrian regime at a time when Britain is making obvious – if so far not wholly successful – efforts to improve relations with Iran.

Talks aimed at restoring full diplomatic relations between Britain and Iran are making slow progress despite an agreement in principle between Sir Geoffrey Howe, the British Foreign Secretary, and Mr Ali Akbar Velayati, Iran's Foreign Minister, to return to full ties three weeks ago.

Australian deficit better than expected

By Chris Sherwell in Sydney

AUSTRALIA yesterday reported a better-than-expected current account deficit of A$990m (£458m) for September, but the figure lifted the total for the first quarter of the financial year to an uncomfortable A$3.56bn.

This is more than 40 per cent of the full-year forecast of A$9.5bn made in the August budget, and quickly prompted opposition predictions that the target would not be met.

But Mr Paul Keating, the Treasurer, and Senator Peter Walsh, the Finance Minister, both said they felt it was still achievable, and the financial markets, which had expected a figure of A$1.2bn-A$1.4bn, were relieved that the poor figures of the first two months of the financial year were not repeated.

On the foreign exchanges, the Australian dollar finished at 61.1 on a trade-weighted basis (May 1970=100), up from 60.6 on Tuesday. Interest rates eased on the money market.

A breakdown of the figures showed the main source of improvement came in visible trade, and in particular imports, which on a seasonally adjusted basis fell 6 per cent compared to August.

The first-quarter total is nevertheless running A$450m higher than for the same period last year, underscoring the fact that Australia's balance of payments deficit, with its associated foreign debt, remains its number one economic problem.

Although the opposition is forecasting an inevitable adjustment in the Government's economic policy, Mr Keating yesterday expressed his continued satisfaction with prevailing fiscal and monetary policy settings, ruled out an economic statement next May and stood by his promises of tax cuts from July 1 as a trade-off for wage restraint.

Korea pullout urged

North Korea said yesterday that US troops and nuclear weapons must be withdrawn from South Korea to eliminate the danger of war on the Korean peninsula, an official report said, AP reports from Tokyo.

Mr Kim Yong Sun, vice chairman of the North Korean National Peace Committee, said any summit between the two Koreas "must adopt a non-aggression declaration above all, and deal with such issues as [whether] to establish a confederal government of a unified state on condition of leaving the two systems of the north and the south as they are, or to organise a committee for peaceful reunification to realise it."

Vietnam ventures

Vietnam has licensed nearly 30 joint ventures since it adopted a liberal foreign investment code almost 10 months ago, the official Vietnam News Agency said, AP reports from Bangkok. Foreign partners are providing $100m of the combined initial capital of more than $115m in the ventures. The report said Soviet companies were involved, but others include Australia, Belgium, Britain and India.

Lebanese pound

The Lebanese pound lost 8 per cent of its value against the dollar yesterday as Lebanon's deepening political crisis panicked the market, Reuter reports from Beirut. At midday the central bank closed the pound at 508/512 to the dollar, compared with 470/474 on Tuesday. Anxious Lebanese rushed to buy dollars after Parliament failed to elect a successor for House speaker Mr Hussein Husseini, leaving the legislature virtually paralysed.

HK brain drain

A group of US businessmen in Hong Kong called on China to help ease a brain drain from the British colony, which returns to Chinese rule in 1997, Reuter reports from Hong Kong. Mr Stephen Hunt, vice-president of the American Chamber of Commerce in Hong Kong, told reporters the delegation had recommended that China endorse international covenants on human rights to help reassure people in the colony.

China inflation

Retail prices in China in the first nine months of 1988 were 16 per cent over the same 1987 period and the highest increase since 1949, Reuter reports from Peking.

Hirohito worsens

Emperor Hirohito's condition apparently worsened yesterday, after he coughed up blood for the first time since his health suddenly declined one month ago, AP reports from Tokyo.

World bankers hold fire on riot-hit Algeria's credit standing

By Francis Ghilès

THE devastation wrought by a week of bloody riots in Algiers and other Algerian towns has tarnished the reputation of stability which the country has enjoyed among international bankers since it started borrowing abroad in the early 1970s.

However, bankers do not seem in a hurry to reassess the credit rating of North Africa's largest borrower until they see what effect the disturbances have on the standing of President Chadli Bendjedid. By announcing that he would seek popular endorsement through two referendums for changes to the constitution, Mr Chadli appears to have regained the political initiative.

In the past few years, many banks have reduced their lending to Algerian borrowers because of the collapse in the price of oil. Oil, gas and condensate exports account for over 95 per cent of the country's foreign earnings, and President Chadli referred in a recent speech to the high cost of servicing Algeria's foreign debt. By the end of this year the debt will probably have declined from $22.5bn to $20.7bn, largely because of the rise of the US dollar.

Algerian bankers have rigidly honoured heavy debt repayment schedules by cutting imports which in turn helped spark the recent riots. As its foreign income declined from $13bn in 1985 to an estimated $8bn this year Algeria trimmed imports from $9.8bn three years ago to $6.4bn in 1987 and an estimated $8.2bn this year.

The current account which recorded a $3.1bn deficit in 1986 was in balance last year and is expected to show a small deficit in 1988. Meanwhile debt repayments have cost $5.2bn this year and last, $3.6bn of which are accounted for by principal repayments. Hard currency reserves have declined from $1.6bn at the end of last year to $1.06bn in July – excluding 5.6m ounces of gold valued at $2.2bn.

Algerian bankers are believed to have raised close to $3.5bn this year in new loans, nearly $1bn of it from the commercial banking sector, which accounts for a third of the country's overall debt, and $300m from the World Bank. Loans from the World Bank are currently being stepped up but considerable uncertainty surrounds the attitude of commercial banks, especially if the price of oil stays at current levels.

Two groups of banks which have strongly supported Algeria will play an influential role in the months ahead. French banks are bound to be mindful of the risks of a possible spillover to France – with its thousands of Algerian migrant workers – of troubles in Algeria, as indeed the US banks are with regard to Mexico.

If Sonatrach, the Algerian oil and gas monopoly, settles its long-running dispute over gas prices with France without acrimony, the French Government is widely expected to offer support for the balance of payments, probably in the form of *prets du Tresor* on concessionary terms. Similar loans have been a long-standing feature of French relations with neighbouring Morocco and Tunisia.

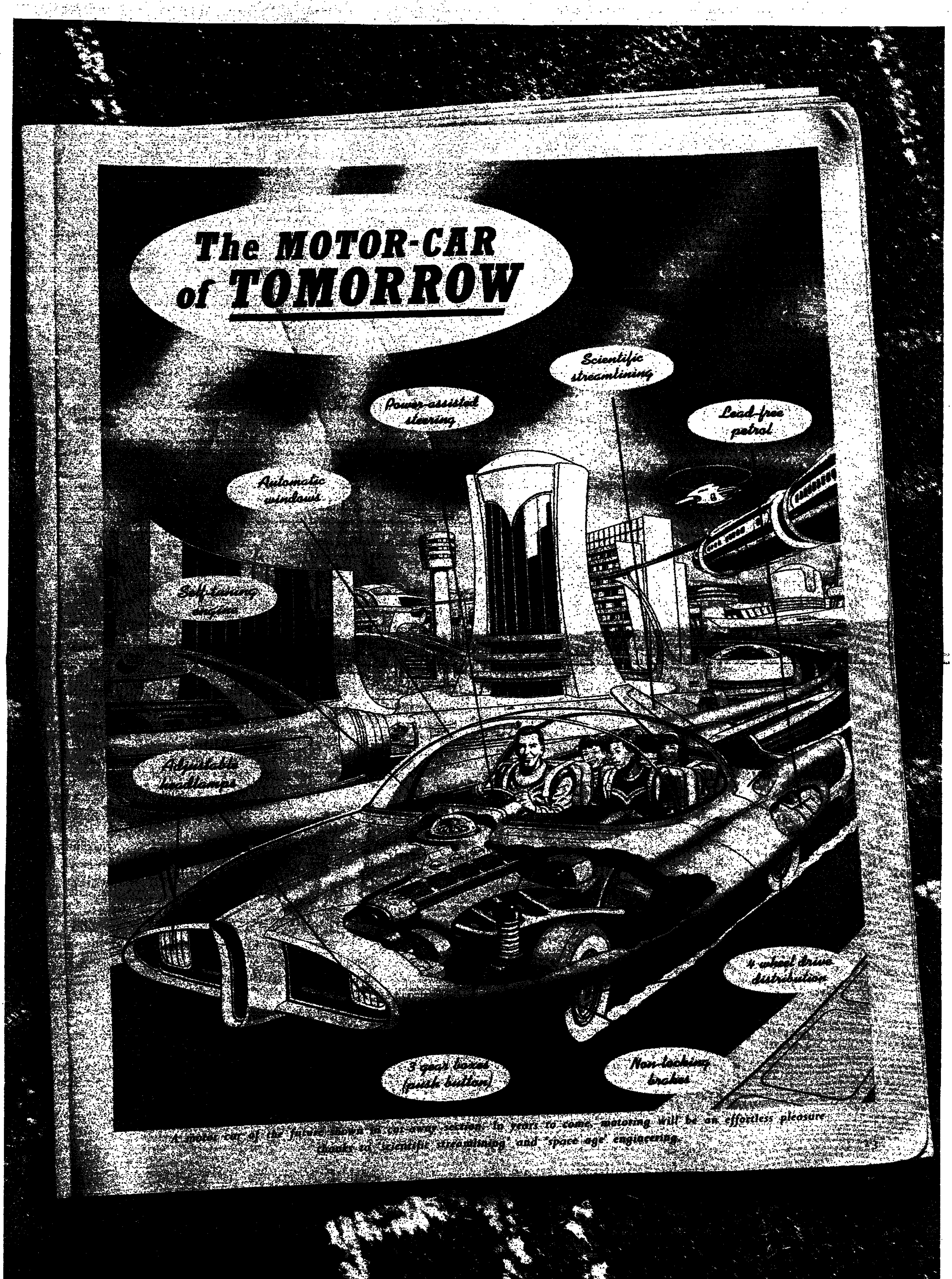
It is worth noting that Algeria has not drawn any monies from a FFr3bn (£280m) package of loans, some offered on concessionary terms, which Mr Abdelaziz Khellef, its Minister of Finance, signed with his French counterpart 18 months ago.

Japanese banks for their part have a long record of lending to Algeria. This year alone lending from public and private Japanese institutions stands at between $800m and $1bn.

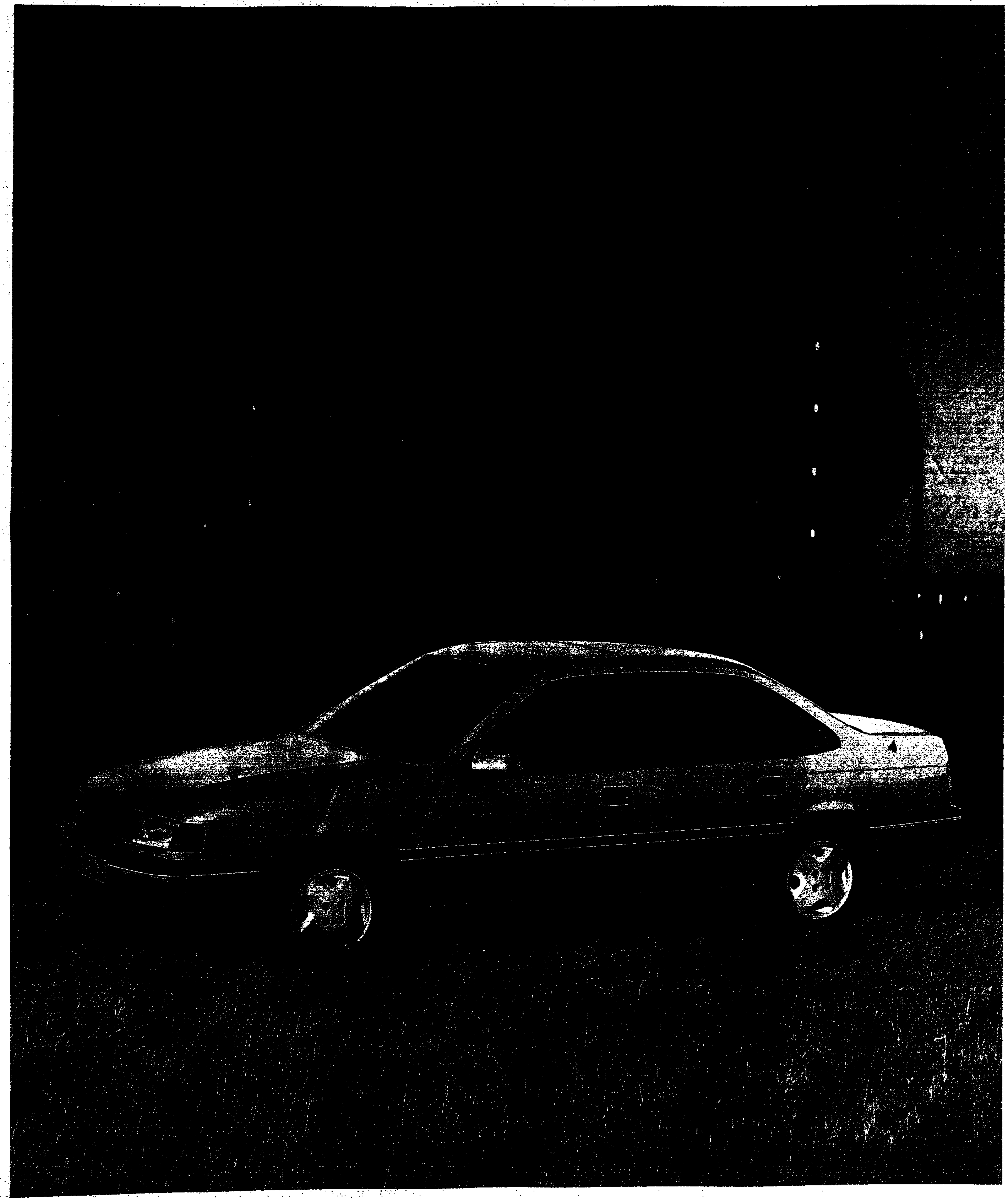
Another potential source of funds could be the International Monetary Fund but so far Algeria has never even drawn upon its SDR185m (£244m) reserve tranche, let alone asked for a larger facility. If Algeria succeeds, next year, in raising sufficient commercial funds abroad to repay the principal amount on its outstanding debt, there is little incentive to consider rescheduling.

Such a possibility has always been ruled out by Algerian leaders, so attached are they to their *image de marque* as responsible members of the international community. Two factors will, however, determine what happens on this front in 1989. The first is internal and centres on whether President Chadli succeeds in presenting a convincing package of reforms to his countrymen, one that makes them accept further austerity. The second factor is external and it relates to the price of oil. A few dollars on the price of a barrel would make all the difference.

هكذا من الأصل


The MOTOR-CAR of TOMORROW
Scientific streamlining
Power-assisted steering
Lead-free petrol
Automatic windows
Self-tuning engine
Adjustable headlamps
4 wheel drive distribution
3 gear boxes (push button)
Non-locking brakes
A motor car of the future shown in cut-away section. In years to come, motoring will be an effortless pleasure thanks to 'scientific streamlining' and 'space age' engineering.

WHO SAID TOMORROW NEVER COMES?



Britain cool on Argentine offer of Falkland talks

By Robert Graham, Latin America Editor

BRITISH officials yesterday reacted warily to suggestions from Argentina that the time was ripe to establish a proper dialogue between the two countries.

Mr Dante Caputo, the Argentine Foreign Minister, interviewed on British television on Tuesday, said Argentina was willing to begin a dialogue "without pre-conditions". Since the 1982 Falklands conflict, Argentina has insisted that any discussions with Britain on normalising relations must contain at least a formal reference to Buenos Aires' claim of sovereignty to the islands.

"I think that we have enough common history, both countries, and if we start a dialogue – without preconditions – just the dialogue, this is going to be very important..." Mr Caputo said.

Although the Argentine Government has hinted in recent weeks that it was preparing a more flexible position, officials at the Foreign Office are still waiting for concrete evidence. Hence the coolness of their reaction to Mr Caputo's comments. "Sovereignty is not for discussion," a spokesman said.

This underlines Britain's unwillingness to accept any formula which might permit Argentina to raise the sovereignty issue at a subsequent date. The 1984 diplomatic talks at Berne broke down over the raising of the sovereignty issue.

The spokesman added: "If Argentina genuinely wishes to improve relations with Britain, she could do so by responding to the large number of British proposals already on President Alfonsín's table."

Mr Caputo's offer comes in advance of the annual United Nations debate on the Falklands. He is currently President of the General Assembly.

Alfonsín confirms May date for presidential poll

By Gary Mead in Buenos Aires

PRESIDENT Raúl Alfonsín has confirmed that Argentina will go to the polls on May 14 1989 to elect a new president. The newly-elected head of government will take office on December 10 the same year.

The announcement, delivered in a brief national address on radio and television, ends recent speculation that the President's Radical Party may have sought to advance or delay elections in order to enhance its own chances of success.

President Alfonsín pointed out that his announcement marks two important records. It is the first time since 1951 that an Argentine president has called elections, and he will be the first democratically-elected president to hand over the reins of office to an elected successor since Marcelo de Alvear in 1928.

Gen Juan Perón called elections 37 years ago, and won, only to be deposed by a military junta in 1955.

Mr Alfonsín described the forthcoming elections as marking "a new victory for democracy", adding that nothing gave him greater satisfaction than to hand over office to a democratically elected successor, 61 years after the last opportunity for such political change.

His speech abstained from reference to recent political clashes between himself and the opposition Peronist presidential candidate, Mr Carlos Menem.

Mr Alfonsín recently suggested Mr Menem was a "frivolous" candidate, and broadly hinted that the "serious" candidate for the presidency is his own, Radical Party, choice, Mr Eduardo Angeloz.

With just over seven months to go, the Peronists are riding high in local opinion polls.

Mexico faces $6bn loan repayments next year

By Richard Johns in Mexico City

MEXICO faces the prospect of having to repay loans worth about $6bn next year but of the total $4.5bn are due to multilateral agencies and could be quickly replaced by fresh credit, according to senior officials here.

They say that the $3.5bn bridging credit being made available by the US Treasury and Federal Reserve could be utilised to help the government and private sector fulfil their repayment obligations even though drawing upon it is contingent on specific agreements with the World Bank and other aid donors.

The government here continues to play down suggestions that a sharp drop in reserves, believed to be down to $10bn, prompted negotiations for the unprecedentedly large US bridging loan. Indeed officials are saying it may not be necessary to draw down on the $3.5bn facility, adding that on no account will Mexico conclude a new deal with the International Monetary Fund.

"We still do not know if it's going to be necessary to use the loan or not," Mr Gustavo Petricioli, the Minister of Finance, commented on Tuesday. He explained that President Miguel de la Madrid wanted the funds "to have resources on hand to use at a given time in the future."

On the question of the IMF – a very sensitive issue with the opposition – Mr Petricioli insisted that there were "definitely no negotiations under way between this organisation and Mexico".

The US Treasury and the Fed have been attacked in the Chamber of Deputies for offering a loan facility which is a breach of legislation limiting the amount of new external financing in 1988 to $2.3bn. But the deal has been welcomed by the business community as a means of ensuring the stability of the foreign exchange market and creating a climate of certainty prior to the governmental transition.

Meanwhile, a further deterioration in Mexico's trade figures are shown in the latest statistics released by the Ministry of Programming and Budget.

A deficit in serious analysis

Nancy Dunne finds the candidates vague on trade matters

ALTHOUGH the dollar devaluation has reversed the menacing free fall in the US trade position, the merchandise trade deficit is now running at almost $140bn a year. If, as seems likely, there is no improvement in the budget deficit, projections show a sharply rising current accounts deficit after next year, higher interest rates and inflation.

Adding to this depressing picture, the international trading system has been shaken by mounting protectionism and uncertainty over the future of the General Agreement on Tariffs and Trade. With determined leadership, Gatt members may just muster the political will to reinvigorate the institution and modernise the rules of the game. Then again, they may not, in which case many analysts believe that the world trading system will break up into trading blocs linked by bilateral and regional pacts.

The two presidential candidates have only addressed these dangers in the vaguest of terms. The complexities of trade and investment are not ideal subjects for the 30-second TV advertisements and two-minute TV news stories which seem to form the knowledge base of most American voters.

Still searching for a winning message and a strategy to counter Vice-President George Bush's flag-waving appeals, Gov Michael Dukakis, the Democratic candidate, is promoting a populist "economic patriotism" in the hope of attracting votes in regions where factory jobs have been lost to imports.

US DEFICITS ($bn)

	Merchandise Trade	Current Account
1988	125	136
1989	91	105
1990	97	115
1991	115	137
1992	128	155

Source: Institute of International Economics

Through business-labour-government co-operation in rebuilding the US industrial base, he promises to "make America number one again." He attacks the Reagan Administration for ignoring "the unfair practices of our trade rivals", and says "reckless fiscal policies drove up the value of the dollar, pricing our exports out of foreign markets and flooding America with cheap imports."

Mr Bart Fisher, a Washington attorney and one of several advising Mr Dukakis on trade, says accelerating foreign investment has become "an issue that plays" because it centres on loss of American sovereignty".

A recent survey found that 78 per cent of Americans want to limit foreign investment while 40 per cent would like it banned entirely.

While Mr Dukakis does not oppose foreign investment, in speech after speech he denounces the Reagan fiscal policies for permitting "a fire sale" of American assets. He promises not to "settle for a future where our children work for foreign owners, pay rent to foreign owners, and owe their future to foreign owners."

Since the Administration has created the illusion that the current prosperity can be sustained with only moderate mid-course corrections, the governor's message has gone mostly unheeded. The Vice-President promises "laser-like" retaliation on unfair trade complaints and condemns his opponent's speeches on foreign investment as "demagoguery" (somewhat ironically, considering the distorting campaign he, himself, has waged on the crime issue).

The foreign investment issue illustrates the particularly precarious position the next President will have to maintain on trade. If he is to seek liberalisation on investment rules in Gatt, he must somehow restrain Congress, which is bound to try to pass legislation to monitor more closely investment flows.

The new trade bill requires the President to become more confrontational in forcing market access upon resisting nations. He will, at the same time, have to win concessions in Gatt on trade in agriculture, services, and high technology – sectors in which US products can still be competitive.

The oratorical flights of the two candidates occasionally touch earth at converging points. Both men acknowledge the necessity of reducing the budget deficit if the trade imbalance is to show further improvement. They promise to work towards Gatt reform and see education and job training programmes as a starting point in improving the quality of American products.

Both men say they are not protectionists, but Mr Dukakis talks of giving short-term (five-year) relief while US industries retool. Both promise an increased emphasis on research and development, which Mr Bush would fund through a resurrected tax credit and a cut in capital gains taxes – a pledge which strains credibility considering his other promises to cut the deficit, maintain defence spending, and spend more money on environment.

Although both candidates swear they will be "tough" on trade, Mr Len Santos, the former Republican staff director of the Senate Finance Committee, says "you really can't tell what these people are going to do" because ultimately it will come to "the pushing and shoving" of opposing US interests in each case for protection.

He points out that President Reagan adopted the rhetoric of a free trader, while granting more protection than any previous Administration. Trade disputes are most likely in the areas of services, intellectual property rights and investment. These will be even more intractable because there are no international rules and to retaliate, the US would be violating Gatt.

Mr Stephen Cohen, professor of international relations at American University, sees an expansion of government/industry efforts along the line of Sematech, the semiconductor consortium supported by Pentagon funds. Such programmes could operate in the areas of machine tools, advanced super computers, telecommunications and advanced high technology.

He says that no matter who wins the election, the US is facing "a monstrous problem" in moving toward trade balance equilibrium. To do so, the US will need a stronger industrial sector, and that is unlikely to be achieved without more government intervention.

US CAMPAIGN '88 THE ISSUES: TRADE

Pentagon seeks closer links with industry

The Defence Science Board, a Pentagon advisory group, has recommended the formation of an "industrial policy council" promoting closer ties between the Defence Department and industry to help stem the "apparent loss of leadership" in key US defence industries, Nancy Dunne reports from Washington.

The draft report says the US now relies on foreign resources for "critical components of our weapon systems." It says the industrial policy council should be headed by the President's national security adviser and that the Defence Secretary should be made a member of the Economy Policy Council.

Dukakis launches fight to get back into the race

By Stewart Fleming, US Editor, in Washington

GOVERNOR Michael Dukakis, facing humiliation next month unless he can turn the tide, has begun to fight back, ridiculing Vice President George Bush as the man "with flags and balloons, but no convictions, no ideas and no plans."

After a disastrous performance in last week's presidential debate – raising the possibility of a landslide for Mr Bush – many commentators have argued that Mr Dukakis now needs to demonstrate his leadership qualities and lift the spirits of his demoralised supporters.

In Michigan on Tuesday he began to do this, responding with conviction to the shouts of encouragement from an audience willing him to fight back. As the New York Times reported: "Mr Dukakis had the smile of a thirsty man suddenly handed a cool drink."

Just how long a road the Governor must travel to get back into the race was underscored yesterday by a Harris poll showing Mr Bush's lead jumping from 2 points in the first week of October to a 9 point lead now.

Mr Dukakis now plans to spend $5m for five half-hour advertisements. He wants the three major networks to air these simultaneously in order to maximise the audience. He is also to give an extended interview on ABC's "Nightline" programme, an opportunity Mr Bush turned down.

At the Bush camp, fearing their big lead could engender complacency, Mr James Baker, the campaign chairman, has reportedly put all his staff on a seven day week in an all-out drive in the run up to election day on November 8. Mr Bush also appears to be responding cautiously to the entreaties of Senators and Congressmen that he should try to use his strength to help the Republican party in Congress.

Mr Baker met on Tuesday the Republican Senate leadership. But campaign officials were quoted yesterday as saying that it is "at least a week premature" for a decision to be made that Mr Bush can afford to combine campaigning for hard-pressed Republican Senate candidates with his own bid for the White House.

In his appearances this week, Mr Bush has moderated his criticism of Mr Dukakis, trying to appear more presidential and to blunt the criticism of him as an overwhelmingly negative candidate. But his campaign commercials have continued to excoriate Mr Dukakis, particularly on defence.

Moscow plans review of joint venture rules

By Quentin Peel in Helsinki

THE SOVIET UNION is undertaking a wide review of its regulations affecting foreign investments in joint ventures, including guaranteed profit remittance and management control, a top Soviet trade official said yesterday.

Complaints from potential and existing foreign partners about the operating conditions for joint ventures, has prompted the rethink. So far, 110 such joint ventures have been agreed with foreign partners since January, 1987, but only a few are in operation.

"We are in the process of considering all the suggestions we have been given by different companies and different countries," Mr Yuri Znamenski, first deputy chairman of the State Foreign Economic Commission, said after a seminar in Helsinki.

He promised a decision by early next year on proposed special economic zones to attract foreign investors to the Soviet Union.

Mr Znamenski said the zones would be divided into four categories — industrial, commercial, trade and economic — depending on whether they were aimed at manufacturing industry, trading ventures, or financial operations.

Mr Znamenski refused to confirm reports in Moscow that the Soviet authorities would allow foreign partners to own 80 per cent of joint ventures in future, instead of the current 49 per cent, and that they would be able to appoint a foreign chief executive or general manager.

Other Soviet officials said that several drafts of the proposed new foreign investment regulations were circulating and that it would be "months, rather than weeks" before a final decision was taken.

However, they insisted that existing joint ventures would be allowed to incorporate any changes in their own agreements by mutual consent.

Mr Znamenski, who is responsible for joint ventures, said the main focus of Soviet attempts to reduce the country's import dependence and raise the level of technology in the Soviet economy, affected key areas.

They included:

- the proportion of capital provided by each partner;
- management control (with the two top jobs currently reserved for Soviet officials);
- insuring the security of raw material and equipment supplies from other Soviet sources;
- guarantees of the transfer of profits.

End to EC steel import curbs urged

By Nick Garnett

THE phasing out of restrictions on steel imports into the European Community and a relaxation of price controls on some imported steel is being sought by the British Iron and Steel Consumers' Council.

The council has written to the European Commission and the British Trade and Industry Department calling for their progressive relaxation or abolition while accepting that controls on dumped or subsidised imports should remain.

Steel imports into the EC accounted for 12.2 per cent of the 106m tonnes of steel used in the Community last year, a fall in import penetration from the 12.9 per cent recorded 10 years earlier.

The document from the council, which represents many of the big steel users in the UK, says the restrictions harm European manufacturing industry in general and the long-term health of the EC steel industry itself.

It says import controls restrict access to Community steel users of potentially low-cost steel sources, raise users' and consumers' production costs, which harms potential economic growth, and reduce pressure on European steelmakers to restructure.

Oiling the wheels of business with Iran

Scheherazade Daneshku looks at postwar Tehran's growing use of countertrade

THE message from Tehran to companies keen to do business during the reconstruction period is clear: "You buy from us and we'll buy from you".

Countertrade has long been an important factor in dealing with Iran, but analysts have reported increased activity in the past few months. The countertrade manager of a leading London clearing bank, for example, confirmed that Iran is particularly receptive to those suppliers proposing countertrade packages.

Such trade has drawbacks for Iran's business partners. It can be a lengthy, cumbersome, and uncertain process and many businessmen baulk at the idea of payment in the goods offered by Iran. This explains why, as Dr Paul McDonald, a London-based oil analyst points out, concluded deals form only a fraction of those discussed.

Nevertheless, countertrade does hold its attractions. According to Mr Matthias Rapp of Straits Petroleum, many suppliers regard countertrade as providing the best security on offer, and preferable to Iran's 360-day usance letters of credit. The risk here would appear to be more political than financial, since Iran has a good record in honouring its payments. And for many companies countertrade is the only way of capturing a share of the Iranian market.

For Iran, countertrade is an important means of diversifying its trade partners and boosting non-oil exports. In all, Iran has about 20 bilateral trade pacts with a range of countries, including large countertrade deals with Turkey, Pakistan and Brazil.

At the moment, the low price of oil is playing its part by pushing Iran to look for long-term advantages. A countertrade deal is attractive because it locks countries into accepting Iranian oil for a period.

Needless to say, low oil prices mean that Iran will be strapped for cash this year. Iran is 90 per cent reliant on oil exports for foreign exchange but according to Mr Mehdi Varzi of Kleinwort Grieveson, it will be lucky to receive $8bn this year — a drop of $1bn from last year. So until Iran can sell its oil easily and at high prices, the pressure will be on to get rid of crude whatever the cost.

Estimates of the percentage of oil exports tied up in countertrade deals vary greatly. According to Mr Rapp, it accounts for roughly 50 per cent if Iran's re-import of refined products for crude exports are included. Other estimates are in the region of 10 per cent, though this figure is probably too low.

Iranian Exports 1987-88 ($m)

Tricot fabric and clothing	11.40
Sulphur	15.44
Total manufactured goods	**83.00**
Pistachio nuts and kernels	195.00
Fresh and dried fruit	29.09
Caviar, fish and shrimp	36.25
Hides	97.78
Dried and fresh dates	57.24
Raisins	25.75
Total agricultural	**477.90**
Mineral and metallic ores	26.97
Total minerals, construction materials	**34.00**
Carpets and handicrafts	469.00
Other	77.00
Total non-oil	**1,170.00**
Oil (estimate)	**9,700.00**

Unsurprisingly, the National Iranian Oil Ministry continues to oppose the inefficient business of oil barter deals, preferring to be in charge of a crude-for-cash transaction. However, since Iran needs to buy on credit, oil provides the only form of collateral available. As such, countertrade provides a means of financing large projects.

The best known example of this is the deal with Japan for the $770m Mobarakeh steel complex near Isfahan. Japan's Kobe Steel is accepting 50 per cent compensation with crude oil in return for the construction materials.

Similar countertrade deals are being considered by Iran for a number of oil refinery projects.

Iran is also showing keen interest in buyback agreements, whereby suppliers of capital plant or equipment agree to be paid in the products manufactured. Mr Behzad Nabavi, Iran's Heavy Industries Minister, has even invited Western companies to use Iranian factories and labour and export the output to third countries.

Sweden's Volvo is manufacturing trucks in Iran for export, but most buyback deals at present are with East European countries.

The Eastern Bloc now accounts for as much as one-third of Iran's trade and has the added attraction as a trade partner of agreeing to Iranian pressure to take back 20-30 per cent in non-oil products.

Iranian non-oil exports are not, however, solely consigned to the East European market. Last year West Germany accounted for 35 per cent of Iran's total non-oil exports, a sizeable portion being in the form of Persian carpets.

Though most businessmen may hesitate at the idea of receiving Iranian melons or four-wheel-drive vehicles as payment, there is great potential in the non-oil market. The foreign exchange allocation for industry is far below the amount needed, with the result that priority is being given to boosting industrial exports.

Despite the ceasefire in the Gulf war, another important market for suppliers remains in the military-related field. Iran's spiritual leader, Ayatollah Khomeini, has called defence-related expansion one of the "primary objectives of reconstruction."

This comes as no surprise to Western analysts. According to Mr Francis Tusa of the Royal United Services Institute, Iran's annual defence imports of up to $2bn can be expected to increase in the future, though big weapons purchases are unlikely for the time being. But with the pressure of war off, Iran is enjoying greater bargaining power. It is negotiating a countertrade deal for weapons with China. In the past, China would accept only hard cash.

Royal Ordnance in Brazilian agreement

By Lynton McLain

ROYAL ORDNANCE, owned by British Aerospace, the UK's largest manufacturing company, has signed a joint venture agreement with Britanite of Brazil, the biggest maker of civilian explosives in Latin America.

The aim is to establish an indigenous Brazilian guided missile industry using UK rocket motor technology.

The announcement yesterday of the Brazilian joint venture comes just days after Royal Ordnance announced the end of production at the UK's only gun and rocket propellant plant, at Bishopton, Scotland.

Royal Ordnance already has a joint venture manufacturing agreement for explosives with a US company and is considering joint ventures and possible production of rocket motors with companies in Chile, as a way of developing its business in overseas markets.

Royal Ordnance and Britanite formed the Britanite-Ordnance company last month to "take full advantage of Brazil's growing guided weapon and space programme", said Royal Ordnance, which hopes to sell rocket motor technology and explosives for warheads to Brazil through the joint company.

Royal Ordnance signed its first overseas manufacturing agreement four months ago — the formation of North American Explosives, a joint manufacturing venture with the Ensign-Bickford explosives company of Connecticut.

Renault in talks with S Korean motor group

RENAULT, the French state-owned car group, is holding preliminary talks with Dong-A Motor, a subsidiary of the South Korean Sangyong industrial conglomerate, over a big joint car assembly project in South Korea involving the production of 300,000 cars a year and total investments of about FFr20bn (£1.9bn), writes Paul Betts in Paris.

The French car group would not comment yesterday.

Although the contacts between Renault and Dong-A Motor are understood to be only at an initial stage, the project if it goes ahead is likely to be a significant development for the car industry as a whole.

It would mark the first big link between a South Korean motor group and a large European car maker and would make Dong-A Motor the country's fourth largest car producer.

World trade up 5% this year, Gatt reports

THE growth of world trade has accelerated to an annual average of 5 per cent this year, according to a new Gatt report. Last year's growth was about 4 per cent, AP reports from Geneva.

The report, compiled by the Secretariat of the General Agreement on Tariffs and Trade, also forecast global economic growth at 3.5 per cent for 1988.

It noted that the improvement was marked, although many developing countries continued to have balance of payments problems and difficulties in servicing their foreign debts and although uncertainties about interest rate trends and commodity prices remained.

The report said exports were picking up again in a number of heavily indebted countries and there was generally greater exchange stability.

EC tries to allay Gatt fears over single market

By William Dullforce in Geneva

THE European Community yesterday sought to allay its trading partners' fears that it would adopt protectionist attitudes towards the rest of the world in its move towards a single internal market after 1992.

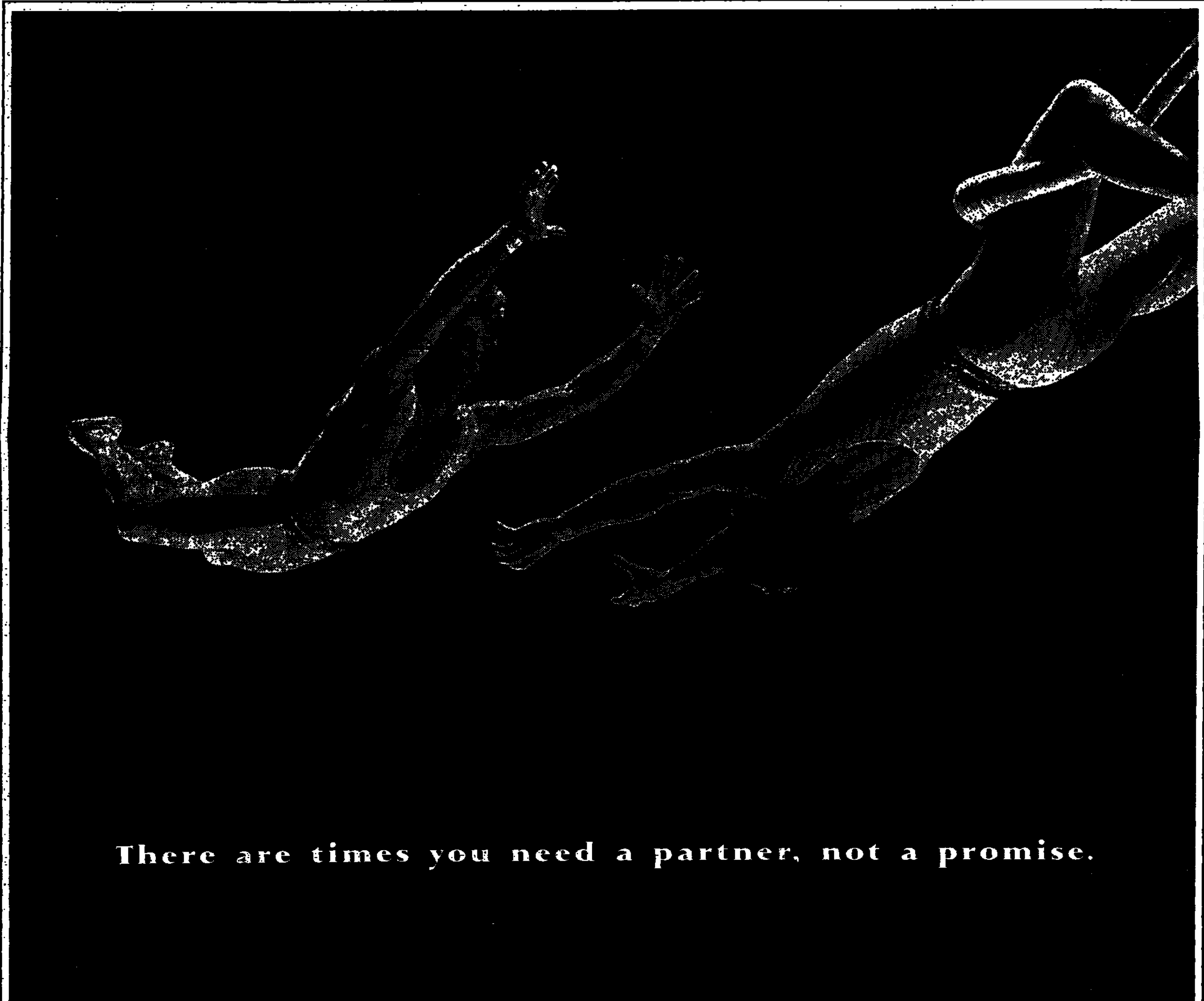
But, Mr Tran Van Thinh, head of the EC mission to the General Agreement on Tariffs and Trade (Gatt), pointed out the Community would go its own way in sectors where Gatt's current Uruguay Round did not result in multilateral trading rules.

Trade in services, including banking and insurance, is one area in which the introduction of Gatt rules is still being resisted by some countries in the Uruguay Round talks.

Several countries, including the US, Japan and Australia, voiced doubts about the consequences for trade of the EC's move towards a single market.

Gatt's council yesterday debated its latest secretariat report on trading system developments. It listed over 200 export restraint arrangements currently in force, in contradiction of Gatt.

Most protect the EC market or a member state. The EC and US account for just over three quarters of the measures listed.



Future of Belfast shipyard in doubt as bid talks fail

By Kevin Brown, Kieran Cooke and our Belfast Correspondent

THE FUTURE of the state-owned Harland and Wolff shipyard in Belfast was in doubt last night after the collapse of privatisation talks between the Government and Mr Ravi Tikkoo, the Indian-born entrepreneur.

Tikkoo Cruise Line (TCL), Bahamas-registered company controlled by Mr Tikkoo, had been offered the yard for a nominal sum as part of the Government's withdrawal from public ownership in Northern Ireland.

The Government offered to write off more than £500m in accumulated losses, and would have provided £70m in subsidies towards a $500m cruise ship, the Ultimate Dream, which Mr Tikkoo wanted to build in Belfast.

However, Mr Tikkoo "did not feel able to proceed on the basis proposed," Mr Tom King, the Northern Ireland Secretary, said yesterday. Officials said Mr Tikkoo had never been regarded as a serious bidder.

Mr Tikkoo said it was "a matter of deep regret" that "the terms the Government offered for the acquisition of the yard did not, in our view, provide a reasonable prospect for long-term viability."

TCL said it intended to go ahead with the construction of the Ultimate Dream, which would be the world's biggest cruise ship. The ship could still be built in Belfast if another private sector buyer emerged, the company said.

Harland and Wolff said it was "determined to fight on." The board said it remained supportive of the Government's privatisation proposals provided the yard could be re-established on a sound basis.

The Government said it was engaged in "active discussions" with two potential purchasers, and there had been two further expressions of interest.

The only known bidder is Seaway's Engineering, a small company which wants to build semi-submersible oil rigs. Seaway's has no shipyard experience and is believed to lack firm financial backing.

The Institute of Production Control has declared an interest in the yard as a possible site for the construction of a large cruise ship, but is thought to have been discouraged by Harland's management.

The collapse of Mr Tikkoo's bid was greeted with gloom in East Belfast, where Harland employs 3,800 workers, currently being reduced by 550.

Trade union leaders and Unionist politicans, those who oppose independence from the UK, accused the Government of disinvesting from Northern Ireland.

Mr Pat McCartan, head of an all Northern Ireland union body set up to fight privatisation, said "Harland and Wolff will now end up cutting and bending steel, which any Third World country can do."

Mr Joe Bowers, vice-president of the Confederation of Shipbuilding and Engineering Unions, accused the Government of destroying attempts to build the Ultimate Dream in favour of narrow dogmatic objectives. He accused the Northern Ireland office of not offering the normal support and guarantees to Mr Tikoo.

Mr John Parker, Chairman of Harland and Wolff, earlier this year emphasised the importance to the Northern Ireland economy of the shipyard.

"We have to think in terms of the 680 local businesses we do business with and some 1200 UK suppliers," he said.

Mr Peter Robinson MP, deupty leader of the Democratic Unionist Party which represents many working class Protestant voters in East Belfast, has been opposed to Government plans for privatisation of the shipyard from the beginning.

"There are clear signs that as part of its pollitcal withdrawal, the Government is also disinvesting in Northern Ireland."

● The PZ Consortium, one of three bidders for North East Shipbuilders (NESL), British Shipbuilders' Sunderland subsidiary, yesterday claimed to have lined up an order from an unnamed shipowner for a series of bulk carriers or container ships.

Mr Brian Hesketh, the consortium's spokesman, said the order could be signed within two weeks of PZ acquiring the yard, and work would start within three months.

British Shipbuilders is evaluating four bids for NESL, and is expected to decide shortly whether to recommend one to the Government.

A report from the Trade Union Studies Information Unit claimed yesterday the closure of the yard would cost the Government £800m in redundancy pay and unemployment benefit, compared to around £40m in subsidies to keep it open.

Lawson emerges from his dark summer

Simon Holberton anticipates an upbeat assessment of the economy

The dark days of summer, which seemed to bring an endless series of interest rate rises, have given over to a seemingly benign autumn.

With bank base rates at 12 per cent, the pound strong but stable, the markets appear to have accepted the Treasury's current policy stance with relative calm.

It is, however, an uneasy calm. So far there has been little focusing on the extent of the adjustment necessary to bring the UK economy back into balance.

Mr Nigel Lawson, Chancellor of the Exchequer, is expected to deliver an upbeat assessment of the economy tonight when he goes to the City of London to give his annual address on economic policy at the Mansion House.

He is expected to restate the Government's commitment to fighting inflation and downplay the significance of the trade deficit.

His confidence over the trade deficit is not one which is universally shared in the City of London.

The economic adjustment will have to be huge if Britain is to stop running trade deficits equal to 3 per cent of national income a year – a level few major countries, with the notable exception of the US, have been able to sustain for very long.

The current strength of the British economy has been recently underlined by figures showing that industrial production is growing by an underlying annual rate of 7 per cent.

Retail sales, a good indicator of consumers' demand, is also relatively buoyant – on a year-on-year basis sales are 6 per cent higher than a year ago – although recent figures may indicate the glimmerings of a slowdown.

However, the Treasury is looking for more than hints of a slowdown.

Officials concede it will take time before sure evidence of a slowdown becomes clear and they restate the Chancellor's belief that interest rates at their current level should be with us for some time.

Despite the Chancellor's claim that the trade deficit is of little concern, his policy is directed squarely at containing and reducing it as much as it is at the control of inflation.

The scale of the task of ensuring a slow down in the economy is, however, considerable.

Consumers in Britain, be they individuals spending or companies investing, will have to cut by more than half the rate at which they go on consuming simply to hold the trade deficit at its current rate of £13bn plus a year.

Over the past year the UK has crammed two normal years of growth in one.

A much slower growth in domestic demand – the sum of what consumers, companies and the government demands from the economy – will be needed to reverse the decline in Britain's trade and to withdraw the threat of rising inflation.

These estimates may be conservative, however. Goldman Sachs, for instance, says that with Britain's domestic demand growing at a rate of around 7 per cent a year if growth in demand were to halve overnight the UK would still be left with a current account trade deficit equal to it current level of 3 to 4 per cent of national income.

It will take one year of demand falling by 1 per cent to eradicate the deficit, or four years of growth around 2 per cent a year clear the slate, Goldman Sachs calculates.

This analysis is based on an estimate of how fast Britain can grow without inflation accelerating or trade dipping into the red.

It assumes that the UK economy can expand by around 3 per cent a year without either of these happening once the trade position is closer to balance.

The Treasury is relying on the fact that there has been a transformation in Britain's underlying economic performance during the 1980s.

Many analysts believe that Britain is capable of much higher growth rates than it experienced during the 1970 and early 1980s, although not much better than the UK achieved in the 1960s.

The Bank of England believes the UK economy's productive potential is of the order of 3 per cent a year, the Treasury is of a similar view.

Both the Organisation of Economic Co-operation and Development and the International Monetary Fund have also revised up their estimates of UK productive potential to rates close to 3 per cent a year.

Phillips & Drew, the analysts, recently published a study of the UK's potential productive ability and concluded that Britain was capable of long-term non-inflationary growth of 3½ to 4 per cent, in the non-oil economy.

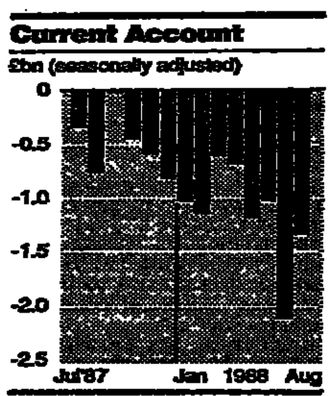
According to the Mr Mark Brown, author of the P&D study, there has been a significant change in the productivity of British manufacturing and services during the 1980s compared with earlier periods.

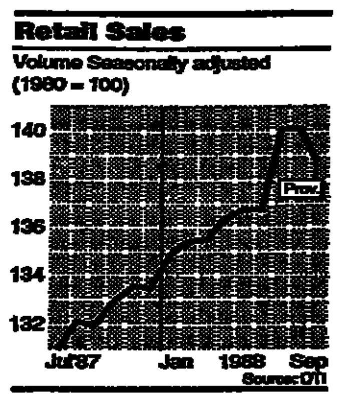
He estimates that the underlying trend growth in total factor productivity during the 1980s has been around 3 per cent.

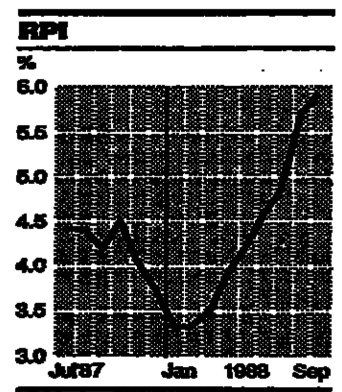
To this is added the growth in capital stock and labour which combined give a boost to potential output of 0.7 per cent.

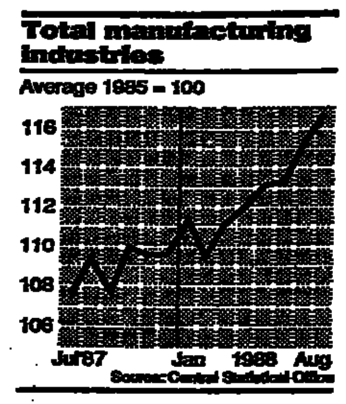
If the P&D analysis is correct then it bodes well for the Treasury.

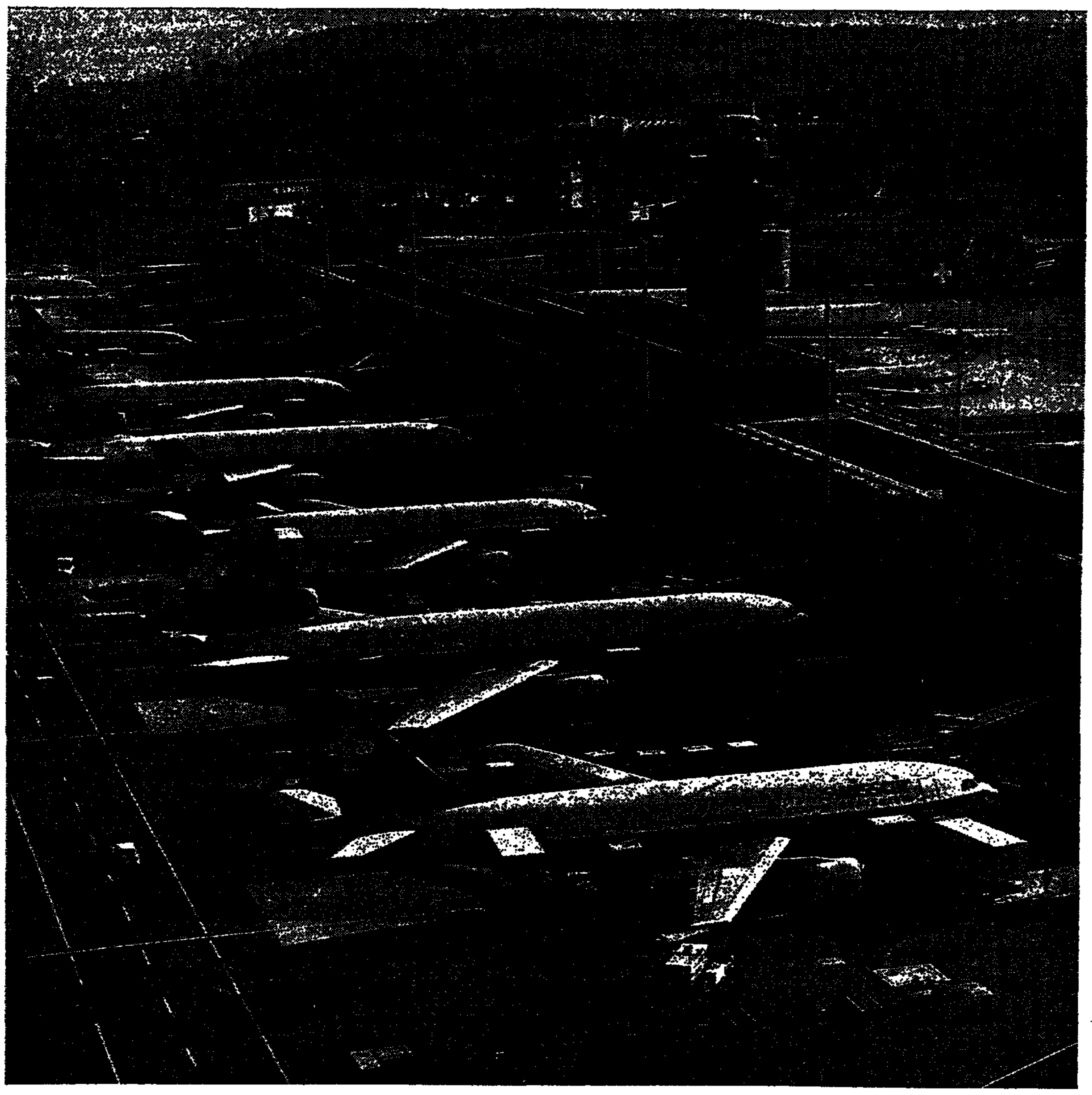
In the short term, however, the Government still faces a delicate problem of how to slow the economy while at the same time setting interest rates at a level which will not crush growth altogether, but which remain high enough to encourage the foreign exchange markets to support the pound.











London and Moscow in joint van venture

By Kevin Done

THE SOVIET Union and the UK have reached agreement on a major automotive venture in which the UK will design and develop a light commercial vehicle for manufacture in the Soviet Union.

The project is expected to generate design engineering and plant and equipment orders to UK and continental European companies worth as much as £180m.

The so-called KIAZ van project is expected to be unveiled today at the signing of a trade credit protocol between the UK and the Soviet Union worth some £1bn-£1.5bn.

It is understood that the first contract, worth about £29m, has been awarded to International Automotive Design of the UK, the largest European automotive design and engineering consultancy, based in Worthing.

The first stage of the financing package for the project, with backing from the Export Credits Guarantee Department (ECGD), is due to be signed today.

The financing will be led by Bank of Scotland together with Moscow Narodny Bank, London-based Soviet bank, and several other partners including Morgan Grenfell and some of the UK clearing banks.

It is understood that the commercial vehicle project will involve the production of a 3.5 tonne panel van at a new plant to be built at Kirovabad, some 200 miles from Baku in Azerbaijan.

Motor show report, Page 12

London life merger plan is approved

By Nick Bunker

THE meeting to decide the future of London Life, one of the UK's oldest mutual insurers, came close to collapsing in turmoil yesterday after scores of angry policyholders were unable to gain admission at its initial venue, a cinema in London's Barbican Centre.

Late yesterday, after adjourning the meeting to the Cafe Royal, London Life announced that on a card vote policyholders had approved its plan for a merger with Australian Mutual Provident by 164,767 votes to 29,237.

Earlier, a show of hands had approved the resolution by only 170 votes to 165. The card vote, representing an 85 per cent majority in favour, was comfortably greater than the 75 per cent required. Technically, the vote was an enabling measure allowing London Life to change its articles to permit the merger with AMP, Australasia's biggest life insurer, which has to be approved by a High Court judge after a hearing in December.

Some policyholders complained about lack of information on the merger.

Agreement near in talks on public spending

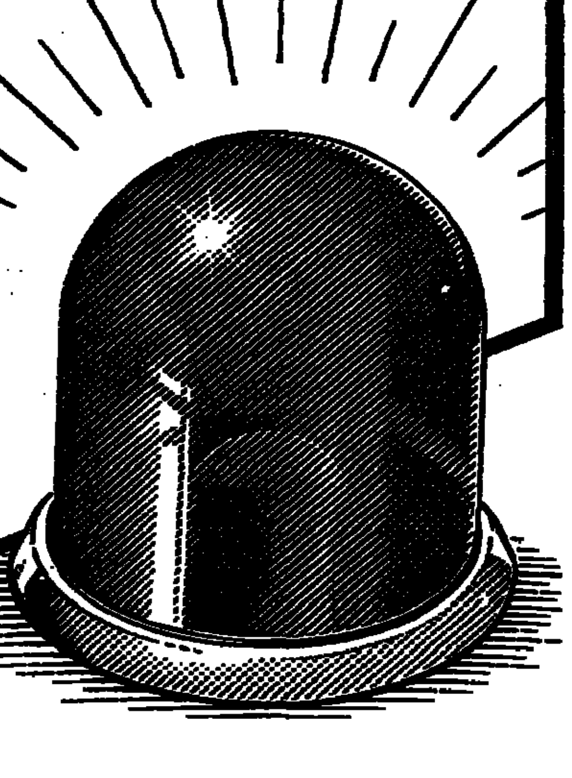
By Peter Riddell, Political Editor

ONLY a couple of public expenditure programmes remain to be agreed following considerable progress during the past week in talks between the Treasury and other Whitehall departments about next year's plans.

The financial gap is not believed to be large, with overall expenditure likely to be £2bn to £3bn at most, above the £167bn total previously planned for 1989-90.

In particular, agreement is said to be very close over the defence budget which will involve an increase above existing plans. The remaining defence issues are expected to be sorted out within the next few days.

The main outstanding differences concern provision for child benefit and for new roads.



Takeovers to be allowed under TV liberalisation

By Raymond Snoddy

THE GOVERNMENT has decided to leave the question of concentration of ownership in commercial television to the commercial television authority which will replace the Independent Broadcasting Authority.

The white paper (policy document) on the future of broadcasting to be published next month will suggest removing barriers which prevent ITV companies being taken over on the Stock Exchange.

The white paper will not, it is believed, specify a numerical limit on the number of ITV franchises a single company may own.

The implication of is that some concentration may be allowed, that a single company may be able to own more than one franchise and that a distinction will be drawn between ownership and regional broadcasting obligations.

Continuation of regionally-made programmes will be encouraged whoever wins the tenders for the eight-year contracts.

The new authority will decide on the permissible concentration of ownership although it will be required to prevent undue concentration. Thames Television, for instance, would not be allowed to swallow up all the small regional ITV companies.

Some ministers fear the envisaged provisions against concentration of ownership may not be strong enough and that more precise limits should be spelled out at this stage.

The white paper will, however, advocate barriers to cross-media ownership. Owners of national newspapers will not be able to control an ITV company and the maximum permissable stake is expected to be around 25 per cent.

The Government has also said that the method of financing the planned fifth television channel should be decided by the winner of the franchise. Advertisers had assumed that the channel, covering up to 70 per cent of the UK population, would be funded by advertising funded and would introduce real competition into the selling of television advertising time.

Supporters of subscription television have, however, kept alive subscription at least as an option for the financing of the fifth channel.

The policy could have serious implications for British Satellite Broadcasting and Mr Rupert Murdoch's Sky Television both of which are planning subscription satellite film channels.

An over-the-air subscription channel similiar to the successful Canal Plus in France could be a serious rival to such satellite services.

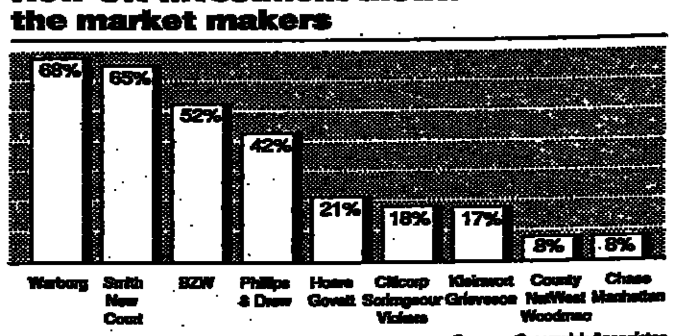
Channel 4 may also feel it has won a victory when the white paper is published. The continuation of the channel's financial link with ITV has survived, at least as an option worth consideration.

Channel 4's airtime would, however, be sold separately to introduce an element of competition. At the moment the ITV companies sell their own and Channel 4's airtime and fund both Channel 4 and the Welsh Fourth Channel with an annual subscription based on 17 per cent of net advertising revenue.

Top three securities firms gain business in year after crash

By Clive Wolman

How UK Investment Institutions rank the market makers



Source: Greenwich Associates

THE THREE largest securities firms in the UK, based on the former leading jobbers, have increased their market share since the stock market crash in October last year.

This conclusion is based in part on a confidential survey of 126 of the largest institutional investment managers, carried out by Greenwich Associates, US research company.

Warburg Securities – the result of a merger between the broking firm Rowe and Pitman with jobbers Akroyd & Smithers – was rated as one of the best three market-making firms in domestic securities by 68 per cent of institutions.

Smith New Court has a rating of 65 per cent and Barclays de Zoete Wedd 52 per cent.

The ratings reflect the proportion of business the institutions have been placing with the securities firms, a proportion which has risen since the last Grenwich survey.

The losers in terms of commission income among the larger securities houses have been Cazenove, County NatWest Securities, incorporating Wood Mackenzie, and Morgan Grenfell.

The other firms with high ratings were Phillips and Drew, owned by the Union Bank of Switzerland, with 42 per cent, Hoare Govett with 21 per cent, Citicorp Scrimgeour Vickers with 18 per cent and Kleinwort Grieveson with 17 per cent.

All these firms have built up their market-making arms from scratch.

The biggest upset is the low rating given to County NatWest Woodmac, which acquired the jobbing firm Bisgood Bishop and more recently, Wood Mackenzie.

It achieved a rating of only 8 per cent, along with Chase Manhattan Securities.

Another upset is the absence from the ratings of Morgan Grenfell Securities, which acquired the jobbing firm Pinchin Denny.

The other large firm which fails to appear is CL-Alexanders, Laing and Cruickshank.

Evidence of the changes in market share is also partly-based on information concerning the revenue sources of the larger broking firms.

The research was conducted in the spring and suggests that five firms suffered a fall in commission income of about 20 per cent more than the average fall over the 12 months since early 1987.

Some of the smaller stockbroking firms have suffered even more severe losses.

The five firms are Cazenove – which suffered the largest fall in market share although its main business is in corporate finance rather than agency broking – Hoare Govett, Citicorp Scrimgeour Vickers, Morgan Grenfell and County NatWest, including Wood Mackenzie.

James Capel, the only large securities firm to decide against a move into equity market-making after deregulation in 1986, remains the firm with the largest market share of agency business.

But it has also suffered an erosion of that position with a fall in commission income relative to its competitors' average of nearly 10 per cent over the year.

The most dramatic gains in market share over the period have been by three foreign securities firms: Nomura of Japan; Morgan Stanley of the US; and Goldman Sachs of the US.

But these firms all had extremely low or negligible market shares in 1987.

The larger firms which have gained market share over the year from a much higher base have been Kleinwort Grieveson, Smith New Court and Barclays de Zoete Wedd.

Phillips and Drew securities firm has also made a gain in the last year.

Warburg Securities, the other leading firm in the UK market, has maintained its position as the third-largest commission earner without gaining or losing.

BIRMINGHAM INTERNATIONAL MOTOR SHOW

AWD truck group plans European distribution

UK COMMERCIAL vehicle maker AWD, formerly Bedford Truck and Bus, is setting up a European distribution network in preparation for the launch of its trucks on the European Continent starting next year, John Griffiths writes.

It is also developing a range of heavy tractor units in the 38-44 tonnes sector aimed at capturing premium truck business from companies such as Daimler Benz and Volvo.

These will be ready for the market by the end of next year, according to Mr David J.B. Brown, AWD's chairman and founder who bought Bedford from General Motors in November of last year.

While acknowledging the fiercely competitive nature of European truck markets, Mr Brown claimed that AWD market penetration would be based on engineering innovation and quality.

While not elaborating in detail, Mr Brown indicated that electronics and sophisticated drive systems could feature strongly in the trucks.

He was speaking shortly after AWD announced that it had just sold a fleet of 53-tonne payload off-highway trucks using a unique, six-wheel drive, six-wheel steer system developed by Multidrive, another Brown group subsidiary, to a Sudanese haulage contractor, HM Enterprises.

Mr Brown said AWD was also working on electronic control of steering systems for its trucks. These could include steering of the front and rear wheels in parallel, to provide much increase site manoeuvrability.

His remarks also followed on from the launch in the UK of the first of a new generation of AWD Bedford medium trucks, in the 7.5 to 17 tonne categories, aimed at recapturing some of Bedford's former mainstream commercial vehicle business in the UK.

They are expected to help lift AWD's total truck output – including military vehicles – to around 6,500 this year,

However, Mr Brown made clear yesterday that in the longer term his group is bent on becoming a much more significant force in world truck markets.

Potential Continental sales of 8,000 units a year of trucks of all typed was envisaged, matching in size AWD's sales target for the UK.

Overall, the Brown group employs 2,000, including 1,200 at the former Bedford Truck and Bus plant at Dunstable, Bedfordshire. The group is understood also to be negotiating the purchase from General Motors of its Luton Design Centre.

Ecosse unveils first sports car

By John Griffiths

THE FLEDGLING Ecosse Car Company unveiled its new sports car yesterday with a new chairman at the helm after the departure of former Ford of Europe president Mr James Capolongo.

Mr Capolongo resigned in August from Ecosse, which was set up earlier this year by a group comprising mainly former Ford executives.

Mr Andrew Norton, a business development specialist with a background in the aerospace and nuclear industries has become the new chairman of Ecosse, which is seeking to raise a further £650,000 to bring the plastic-bodied car, the Ecosse Signature, to the market.

Mr David Backinsell, managing director and former development manager for export operations with Ford of Europe, said Mr Capolongo had resigned because of his increased business commitments in the US, but remained as a consultant.

Mr Capolongo had held the chairmanship on a part-time basis. Most of Ecosse's other directors are on contracts requiring them to spend varying numbers of days a year on Ecosse business.

Production of the car is being sub-contracted with Project Aerospace Developments, a Coventry-based group which has extensive car industry experience and is a supplier to Jaguar.

Mr Backinsell said that production would start next April, with an initial output of 150 units a year. Cars are expected to cost about £20,000.

Development schemes agreed for urban areas

By Hazel Duffy

PRIVATE-SECTOR enterprise zones were announced yesterday by British Urban Development as the latest idea for improving Britain's urban areas.

BUD, owned by 11 large construction, civil engineering and property development companies, was launched last spring by Mrs Margaret Thatcher.

Mr Hartley Booth, chief executive of BUD, said that he was close to agreeing the first zone with Swansea city council.

It would be a 170-acre site on which the plan will be to provide a mix of housing and business accommodation.

The Halifax and Nationwide Anglia building societies have agreed to back the housing element by providing a £100m development fund over the next three years.

The fund is expected to inject confidence into the plan, making it more likely that the projected large-scale development in the new enterprise zones will attract the required institutional funding.

Mr Booth, former adviser to the Prime Minister on the environment, described the plan as "a new concept in redevelopment which will bring together public and private funding and other resources.

Enterprise zones have always been thought of as public-sector ideas. We will be offering private enterprise zones."

BUD will offer a package of incentives to encourage start-up businesses to locate in the areas. They will include low-priced housing, discounted prices on materials to be offered to the business owners, reduced interest rates and longer-term finance to help the company get through the critical development period.

These incentives are unlikely to compare with the substantial tax advantages and rates holidays available in the Government's enterprise zones. However, these zones – part of the Swansea zone will be within the proposed BUD zone – have only between three and five years to run.

The BUD zones will also differ in that they will include housing. This is likely to be a mix, including management-style and "social" housing, and some low-cost rented accommodation which will be financed partly with Urban Programme money.

Nabisco to sell UK breakfast cereal business

By Maggie Urry

NABISCO GROUP, the UK subsidiary of RJR Nabisco, the US food and tobacco company, is selling its breakfast cereal business – best known for the Shredded Wheat brand.

The UK company has decided to concentrate its resources on its biscuit, snacks and crisps business. It recently sold Bendicks, which made luxury chocolates. In September its chief executive, Mr Alistair Mitchell-Innes, left and was succeeded by Mr Alan Reeve.

Nabisco Brands has been tidying up its operations around the world, having sold Heublein, its drinks business, to Grand Metropolitan; its Canadian confectionery, margarine and desserts activities; and its Australian breakfast cereals company.

Nabisco said that after "a thorough study of its cereal business," it concluded that the longer-term growth of the business could "best be assured by having it become part of an organisation with a strong commitment to the cereal business."

The UK breakfast cereal market, although growing, is intensely competitive, with Kelloggs holding a half share of the market, estimated to be worth as much as £575m a year. Nabisco is third in the market, after Weetabix in second place, and claims to have 9 per cent of the market.

As well as Shredded Wheat, Nabisco makes Shreddies, Team and some own-label cereals. It employs 585 people.

No price was put on the business, although outside observers believe that Shredded Wheat has been losing market share, despite heavy advertising, and that the sale price could be around £30m to £40m. Interested parties might be other UK food manufacturers or European companies.

European consumption of breakfast cereals is well below that in the UK, but according to market studies, is growing. It would be feasible to produce cereals in the UK for export to Europe.

Nabisco, the largest biscuit company in the world, has an 18 per cent share of the UK biscuit market.

Ward given final appeal over £5.2m repayment

By Raymond Hughes, Law Courts Correspondent

MR TOM WARD, a US lawyer and former director of Guinness, has been given the chance to make a last challenge to a court ruling that he must repay £5.2m to the company.

The Law Lords appeals committee yesterday gave Mr Ward leave to appeal to the House of Lords against the unanimous decision of three Court of Appeal judges that Guinness was entitled to immediate repayment without the case going to a full trial.

Upholding a High Court ruling in Guinness's favour, the appeal judges said in May that Mr Ward had improperly received the £5.2m "in plain disregard of his duty to the company".

The payment, alleged by Mr Ward to have been for his services to Guinness during its takeover bid for Distillers, was not disclosed to a meeting of the full Guinness board. It had, therefore, breached both the company's articles of association and the Companies Act, the appeal court said.

The money was paid to Mr Ward via a Jersey company, Marketing and Acquisition Consultants.

Mr Ward contends that the payment was properly made to him, under a contract between him and Mr Ernest Saunders, then Guinness's chairman and chief executive.

Both men have been sued by Guinness for the money. The High Court has directed that the action should not come on for trial until after the criminal prosecution in which Mr Saunders and six other men face charges arising out of the Distillers takeover.

A warrant has been issued for Mr Ward's arrest in connection with that matter but the Serious Fraud Office has not yet started proceedings for his extradition from the US.

Appeal court rejects plea over opera house plans

By Richard Evans

THE CONTROVERSIAL £100m redevelopment scheme planned by the Royal Opera House in London's Covent Garden came a stage nearer yesterday after a ruling by the Court of Appeal.

The court rejected claims by the Covent Garden Community Association that Westminster City Council had abused its powers when it granted planning permission in principle for a scheme which the objectors claim would "devastate" one of the capital's most popular areas.

The ruling has been keenly awaited by developers and conservationists who regard the case as a test that could affect future planning law.

The three appeal judges, Lord Justice Kerr, Lord Justice Nicholls and Lord Justice Staughton unanimously refused to overturn a High Court ruling that the council had not misused its development control powers when it have the scheme the go-ahead in June last year.

The community association was ordered to pay the costs of the appeal, unofficially estimated at £40,000. Leave to appeal to the House of Lords was refused, but the association said it intended to petition the law lords for leave.

Mr Robert Carnwath, QC, for the association, had argued that the council's planning committee wrongly decided to approve the scheme because the commercial development would pay for improvements needed to reflect the international standing of the 130-year old opera house. He contended that amounted to an "immaterial" planning coinsideration and the permission was therefore legally invalid.

The opera house proposed its modernisation scheme, in which 13 historic buildings and all but one facade of the listed Floral Hall make way for 225,000 square feet of offices, shops and a car park, because no Government aid or other public money was forthcoming.

Wind and wave power unable to compete, says CEGB

Financial Times Reporter

THE CENTRAL Electricity Generating Board yesterday defended its plans to build further nuclear power stations, rather than investing equivalent sums of money in wind and wave power.

Mr Sam Goddard, corporate director of the CEGB's system planning department, said neither technology was well enough advanced to enable it to compete with the proposed 1,200MW pressurised water reactor (PWR) nuclear plant at Hinkley Point, Somerset, in the west of England, in terms of economics or security of supply.

He was giving evidence at the Hinkley Point C public inquiry.

The CEGB is planning to build four PWRs by the year 2000 at a total cost of £6bn. The first, Sizewell B, is already under construction on the east coast of England.

Objectors suggested during cross-examination of Mr Goddard yesterday that the CEGB had not shown enough commitment to exploiting the potential of technologies such as wind power.

Greater investment would enable Britain to join other countries who now relied on "renewable" energies, to meet a significant proportion of electricity demand, they suggested.

Mr George Pritchard, an independent objector who was a former director of the Greenpeace environment group, said the CEGB could obtain larger amounts of electricity in the South West of England through wind and hydro-power and harnessing the burning of refuse.

Mr Crispin Aubrey, representing the Stop Hinkley Expansion, suggested that, although the CEGB claimed to consider public opinion, its record so far was poor in regard to nuclear power.

He said wind power was now regarded as one of the most promising of the "renewable" energies.

MANAGEMENT: Marketing and Advertising

UK shoe shops

Taking steps towards a well heeled image

Alice Rawsthorn and Maggie Urry on upmarket and middle market approaches

In its heyday in the 1940s McAfee sold some of the smartest shoes in London. Those were the days when Hollywood stars like James Stewart would visit its Bond Street shop to be fitted for hand-made brogues.

But McAfee failed to move with the times. A few years ago it had the same six London shops and sold to the same ageing American men who had been visiting it for years.

Last autumn Oliver Sweeney, who had joined the company "as a general dogsbody" in the early 1970s and had later become its designer, took control through a management buy-out from the member of the family who had inherited the business. He has since begun to steer McAfee into that sector of the shoe market which is attracted by younger, updated versions of the classic styles.

Sweeney's objective is to combine McAfee's traditional standards of quality with contemporary designs – thereby appealing to a new "preppie" market of young, design-conscious professionals.

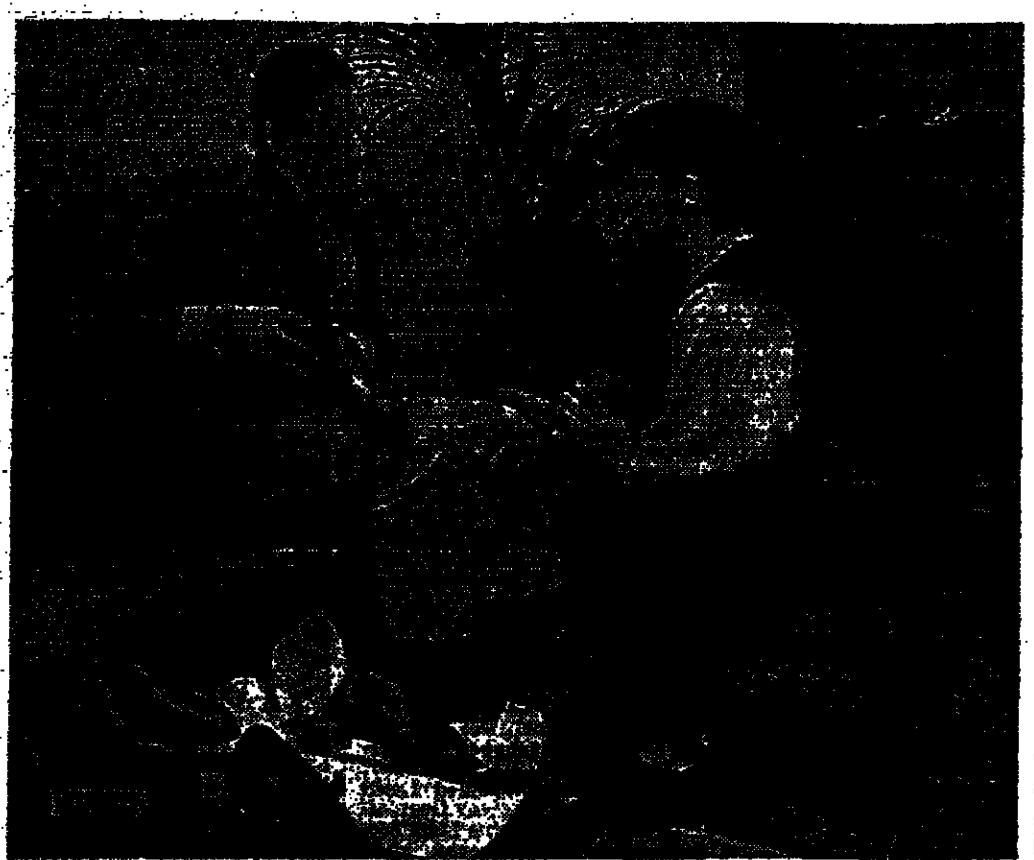
He plans to bridge the gap between the classic British shoes made by old established companies, like Church's and Grenson, and the outré footwear of the new breed of avant garde designers, like Emma Hope and Christine Ahrens.

When the buy-out was completed his first objective was to overhaul the image of the company and to introduce a range of women's shoes which complemented the basic principles of the men's range. He developed new men's styles with the traditional welted shoe makers in the east Midlands and tracked down British suppliers for the women's range.

The price of McAfee shoes is the same for men and women – about £95 a pair. But the collection is now composed of more contemporary versions of the men's brogues and loafers that it has been making for decades. It includes variations of traditional British shoe styles – like brogues and button boots – for women.

It still makes bespoke shoes. Sweeney drafted in David Davies Associates, the design group, to design a new flagship store in Knightsbridge and to devise a corporate identity for the company.

The composition of McAfee's customer base has changed already. A few years ago its customers were chiefly US tourists, whose buying power fluctuated with the fortunes of the dollar. Most of the customers are now British with a sprinkling of tourists from Japan and West Germany, as well as the US.



McAfee has introduced up-dated classics at its Knightsbridge flagship store

Alan Harper

As a result, the customer base is more stable. Sweeney is convinced that this year – when the weak dollar has deterred US tourists from coming to London – the old McAfee would have been on the brink of bankruptcy.

Instead it is poised for expansion. The next priority is to increase its wholesaling activities. At present it supplies smart London shops like Joseph and David Davies. Sweeney plans to sell to individual retailers in 40 regional centres within five years.

McAfee is also expanding overseas. Sweeney hopes to benefit from the fashion for traditional British shoes in the rest of Europe and North America. The company now sells to Italy and is appointing agents in France and Japan. In the long term he envisages that exports will provide the bulk of its business.

McAfee is still a small company with sales of just over £2m last year – but the new strategy has already boosted sales and margins, as well as strengthening the base of the business. "There was an obvious opportunity for a shoe company like this," says Sweeney. "All we needed to do was to grasp it."

BSC decides to re-tread an old path

How can a brand new chain of shoe shops get across the idea that it has a long-standing reputation for traditional craftsmanship? Simple, for the likes of British Shoe Corporation – which can revive one of the dormant trading names retained from the era when it was buying up footwear businesses left and right.

Cable & Co, which is being launched with an initial 10 shops, has a logo claiming its establishment in 1901. True enough, there was such a shoe business. BSC, which is part of Sears, can even produce a drawing of a Cable Shoes shop in Dumfries, dated 1911. But the original Cable shops finally died the death in the 1960s when consumers were more interested in things modern than things ancient.

With 10 different trading names in shoes already, BSC might seem to be over-egging it to start yet another. But Andrew Leslie, managing director of BSC's fashion shoe business, which also includes the Dolcis chain, believes that there is still a gap in the market.

The current fashion is for the more traditional qualities of good workmanship in the factories and good service in the shops. And, says Leslie, there is demand for a shop offering stylish but solidly-made shoes at prices in the £30 to £40 range for women and £40 to £55 area for men.

These prices are well below those for top quality, up-market shops and necessarily Cable & Co shoes cannot offer quite the hand-made quality. However, only an expert could tell the difference from a few feet away. And Cable & Co shoes carry one or two gimmicks such as little brass name plates on the instep of the more expensive men's styles.

The gap in the market has much to do with the ageing population. The teenage, cheap-and-cheerful-shoe buyers have grown into 25 to 40 year old, more discerning types looking for value for money but with more money to spend, a process which has already been identified by clothing retailers.

The shops also stock other leather goods such as gloves, bags, briefcases and even coats.

The staff in the shops are being trained in "the traditional ways of courtesy and consideration".

One Cable manager admits that there is a tremendous difference between the way customers will be served in the new shops compared with the standard treatment in a Dolcis.

The launch of Cable & Co is also a response to BSC's slipping market share. It is estimated to have had 22.8 per cent of the market in 1987, according to Verdict Research, a retail market research group, down from 24.4 per cent three years earlier.

Leslie is hoping that the new chain will capture 1 per cent of the £3bn shoe retail market. If successful, he says, it will become a national chain with over 100 shops.

Accentuating alternatives

Philip Rawstorne on the selling of Girobank

When the news broke earlier this year that Girobank was to be privatised, it was widely suggested that even though it had twice as many outlets as the combined total of Britain's big four clearing banks it had an inherent weakness. This was that it was housed in 21,211 post offices across Britain, staffed by sub-postmasters who would be more interested in selling birthday cards than new banking products.

Girobank recently signed a rolling five-year contract with Post Office Counters to continue its relationship. But as its sale approaches – final bids are now being considered – the bank is trying to shake off the Post Office image of queues and social security payments and gain wider recognition as an alternative to the high street banks.

The Post Office is not mentioned at all in the £5m advertising campaign now running on British television. The advertising – by Bartle Bogle Hegarty, which won the account in April – focuses on Girobank's "direct banking" service by telephone and mail. The inference is that no customer need visit a post office, though the campaign will be supported by promotions using post offices as shop windows for the bank's products.

The television commercials feature specific Girobank services – overdrafts, loans and mortgages – and humorously promote them by showing people using Girobank's telephone contact service to get out of difficult situations or seize opportunities. The first shows a man fixing an overdraft by telephone from a restaurant as his companion orders caviare and vintage champagne for dinner.

All emphasise the convenience of making banking arrangements by telephone through Girobank's regional Telecare units outside normal banking hours – on Saturday mornings and up to 8 pm on weekdays.

The campaign is aimed in particular at the 21-35 age group of "financially active" heads of households in full-time employment, a prime target for new financial products. Changes in life-styles over recent years also make this generation the most receptive to the idea of direct banking.

Simon Sherwood, BBH's business development director, says that the agency's research showed that while people do not readily change their banks, this inertia conceals growing dissatisfaction with the service of the high street banks. Their products and charges are regarded as more or less identical; and visiting a bank branch is increasingly seen as a time-wasting chore.

A growing number of people, the research suggested, was becoming interested in banking by telephone in the evening rather than having to visit a bank during the day. With its streamlined structure, Girobank can offer out-of-hours access to most banking services at competitive rates. The trouble is that not many people know that.

The bank was initially set up by a Labour government as a simple and cheap banking service for those on low incomes. Twenty years later that is how the public still generally perceives it, despite the fact that it is now the country's sixth largest bank, with 2m personal customers drawn from all social classes, a thriving corporate business, and a full range of banking services.

"Our challenge," says Sherwood, "is to make people think of Girobank as the future of banking – the bank that's most relevant to the way people live their lives today."

Rock with the Midland

THOUSANDS of young people around Britain will tomorrow night tune in to their local independent radio stations for Rockline, the live pop and phone-in chat show, brought to them for the next three months by . . Midland Bank.

Midland is making its first foray into commercial radio sponsorship, close on the heels of National Westminster Bank which earlier this year sponsored the Live Action Concert series, with groups such as Status Quo, and Bros.

Like Pepsi-Cola and Burton's Top Shop before them, the banks are now beginning to make greater use of commercial radio to reach the 14-20 age group, the target market for new "seedcorn" bank accounts that will grow into profitable future users of a whole range of financial services.

Midland's Rockline programmes will be distributed by satellite to 25 of the country's biggest independent radio stations, including Capital, Piccadilly in Manchester, and Radio Clyde, which claim to cover 75 per cent of the total youth audience.

The programmes will be supported by a spot advertising campaign and by direct marketing to the listeners who telephone to chat to the pop groups. Calls from these fans will be logged and they will be sent free colour photographs of their idols – and a package offering other gifts when they have opened a bank account. During the last Rockline series, calls to a toll-free number to the Bros band jammed the Bristol telephone exchange.

NatWest, which spent an estimated £500,000 on sponsorship, advertising and promotion for its 13-week Live Action Concert campaign which ended in September, got 80,000 telephone responses from listeners. "Since we had hoped for 50,000, we consider the exercise was very definitely worthwhile," says NatWest.

The Midland deal has been arranged by PPM Radiowaves, a radio production and syndication company, which also handled the NatWest series with Capital Radio and Music Plan, the bank's advisers.

Founded just two years ago by Simon Cole, former programme controller for Piccadilly Radio, PPM specialises in planning, marketing, and syndicating sponsored radio programmes.

Sponsors face fewer restrictions on radio than on television. And Mark Curtis, PPM's promotions manager, says many companies are now beginning to find they can make much greater marketing impact by integrating sponsorship, advertising and direct marketing.

The trend seems bound to grow as new national and community radio stations raise the demand for quality programmes.

"Radio is now being used much more creatively as an advertising medium," Curtis says. "It is no longer just a matter of simply mentioning brand names."

TECHNOLOGY

Alan Cane describes how British software is helping Hungarian industry to modernise

Changing the minds of manufacturers

Hungary has no shortage of technological heroes, including the expatriates Denis Gabor, the physicist who invented holography, and John von Neumann, the mathematician responsible for much of the theoretical foundation of modern computer science.

Inside Hungary computer science remains first class, especially in artificial intelligence. The Hungarian version of the Prolog artificial intelligence computer language is used in more than 1,000 sites outside the country, many of them in Japan and the US.

Now in the drive to improve its balance of payments through exports, Hungary is placing special emphasis on computing. Lajos Varga, head of the department for computer applications in the Hungarian Central Statistical Office, says: "We believe that information technology is of primary importance and that our progress depends on its use."

He explains that the Government is trying to promote the use of computers through a combination of education and regulatory incentives. These are designed to make it easier for firms to raise hard currency to buy Western equipment and know-how.

At the moment, Hungary has 65,000 computers in use in business. Varga says that there should be double that number.

Hungary, however, is in need of outside help to modernise its manufacturing industry through computer technology. The reason has to do with business methods rather than technology. Hungarian industry, after years of tightly centralised control, is beginning to feel the pressure of market forces. With this has come a realisation of the importance of customer needs, relationships with suppliers, levels of inventory and so on – unfamiliar concepts in a centralised economy.

To speed up the response to market conditions, Hungarian manufacturers have to switch from outmoded batch processing methods to the more flexible on-line data processing over the next few years.

That means the use of software of a kind which Hungarian software companies have no experience of writing. It is being supplied, therefore, by a UK company, Hoskyns, once a subsidiary of Martin Marietta of the US but now part of Plessey.

The software – which will facilitate Hungary's planned industrial revolution – is called MAS-MCS (modular application system-manufacturing control system). It is being provided through a contract thought to be worth around £1m over three years between Hoskyns and Hungary's largest computing services company, Szamalk. The deal has the backing of the Hungarian Government and the UK Department of Trade and Industry.

The agreement with Szamalk covers site licences for Videoton, Hungary's largest electronics company, BHG, the second largest in electronics and the leader in telecommunications, and Medicor, the medical equipment group. However, there is also an understanding that the software can be copied and passed on to other manufacturing organisations in Hungary.

The UK company, which has been selling its MAS software to manufacturing companies worldwide for more than a decade, has experience both of modern manufacturing practice and of systems development in Hungary.

Neither Hoskyns nor Szamalk believes that modernisation will be easy. Miklos Havass, director of Szamalk, echoes Western consultants when he says: "It needs two or three years to convince a manufacturer that he has to change the way he does business. The thing that is most difficult to do is to change the way of thinking."

MAS-MCS was not the only manufacturing package Szamalk looked at. It also considered IBM's Copics software but rejected it on the grounds that it was an older design which was heavy on computer resources – a serious problem in Hungary which is short of modern computer power.

As it is also short of hard currency, the decision to spend £1m with Hoskyns was not taken lightly.

Flexibility was a point which ranked highly with Ferenc Kis, management information services director at Videoton, Hungary's largest electronics enterprise. It manufactures medium and small computers and a range of consumer products, some of them appearing on Western retailers' shelves bearing the Akai label.

Lajos Varga: "Our progress depends on information technology."

He says that Videoton has to move from batch processing to an on-line system to reduce its investment in inventory, to improve its ability to review progress in the factory and to provide better information for the sales staff.

Kis says that factory managers quickly became comfortable with the new system, helped by Hoskyns's education programme.

Management techniques are being revitalised in parallel with the technological improvements. For example, a new emphasis is being placed on personal incentives to improve efficiency. At Videoton, Forints 2m (about £20,000) will go to the team installing the Hoskyns software package, if they finish the work on time and to budget.

Medicor has transformed itself in readiness for the new market conditions. It reckons that it will be one of the first to be quoted on Hungary's new stock exchange, the first in the Eastern bloc, which is due to be created in Budapest next year.

This will enable foreign investors to own up to 100 per cent of the shares of certain Hungarian companies.

The development follows changes that are already facilitating joint ventures between Hungarian and Western companies. The foreign partners can hold more than 51 per cent of the stock and hard currency can be repatriated.

Medicor is the largest supplier of hospital equipment in Hungary. It is a vertically integrated organisation supplying everything from scalpel blades to X-ray tomography (scanning) equipment.

Employing some 8,000 people, its turnover is about $120m (£68.5m) and it is a valuable earner of hard currency for the country. Almost three quarters of its products go for export, chiefly to Africa and the Middle East.

Originally a centralised monolith, it now comprises a series of independent companies, each concentrating on its own field – X-ray equipment, field services, data processing and so on. At least 51 per cent of each of them is owned by Medicor, which remains state-owned. After the opening of the exchange, investors will be able to buy shares in all the companies.

One subsidiary, called Medorg, used to be the management services department. It now has to offer its services in competition with other data processing firms, both within and without Medicor. Imre Spronz, managing director of Medorg, relishes the challenge: "Now, as an independent company, we can deal properly with market needs."

He expects annual growth of 30 per cent for the next three years, and would expect more were it not for the computer hardware shortage. At present he is using Hungarian-built copies of obsolete Digital Equipment machinery and desperately wants models in the later Vax range, at present embargoed under US restrictions on exports of high technology goods to Communist countries.

There will be restrictions on the kind of company which can be floated on the new exchange. Shares in Videoton, the country's electronics flagship, for example, are unlikely to be sold to all comers.

BHG remains a candidate. It needs the cash that could be gained from flotation to import telephone exchange equipment, as well as taking advantage of the Hoskyns manufacturing software.

To date BHG's growth has been derived from Crossbar products, an obsolete electro-mechanical type of telephone exchange. It wants to move to a computer-based digital switching system and is evaluating a range of foreign-designed equipment before deciding which technology to license.

It will be a costly business. Gabor Forgacs, head of management services at BHG, points out that the Government may help in raising the currency to pay for the licence and the manufacturing technology. But the condition it will lay down for that help will be substantially increased exports from the company.

Where DIY is the best way to acquire a computer

Edward Mayo looks at the difficulties facing technological enthusiasts in Czechoslovakia

CZECHOSLOVAKIA has the distinction of having one of the widest ranges of computers in the world. It has over 60 different manufacturers – because building a computer is the easiest way to get one.

"Czechs are forced to improvise," explains Stefan Rybar, producer of a programme about computing on Czech television.

"Although Western jeans are officially unavailable in Czechoslovakia, everybody wears them. The same is true of computers – there are no computer shops, but we have computers."

Interest in computing has received little encouragement from the Government. In their efforts to obtain precious foreign hardware and software, enthusiasts have to deal with both shortages of currency and the restrictions set up by Western governments through the Co-ordinating Committee for Multilateral Export Controls (CoCom). Nevertheless computing exists.

Rybar admits, however, that Czechoslovak computing is not sophisticated. One of the most advanced computers available outside universities and research institutes is the Amstrad PCW. The Amstrad, which uses the ancient CP/M operating system, is not, by Western standards, state-of-the-art technology. Even so, Rybar believes there are only 20 PCWs in the country.

Nevertheless, Amstrad machines remain the best available, says Rybar. They are the most powerful personal computers which can be purchased from the West under CoCom regulations. The Acorn Archimedes, for example, is subject to technology export restrictions.

Amstrads are also relatively cheap and are supplied with all the necessary peripherals. This is significant because printers in Czechoslovakia can cost as much as two thirds of the cost of the computer.

The most popular foreign computer is the Sinclair Spectrum, which is technologically even more dated than the Amstrad. More than 100,000 are used, mostly for educational purposes at home.

There are, however, a number of domestic Czechoslovak microcomputers available in mass production. The two most popular are the IQ 151, designed for school use, and the Slusovice which is IBM-compatible.

The IQ 151 can run the Basic computer language and a version of the Logo language with a Czech command-set (used for simple graphic applications). However, it has a meagre 32K of memory and is large, unreliable and has a tendency to overheat.

The Slusovice IBM-compatible, typifies the somewhat haphazard approach of Czech computing. The machine was developed by an agricultural co-operative in southern Moravia and is supplied with software for farm management.

The computer costs about Koruna 180,000, payable half in hard currency, and is beyond the reach of the personal user or the Czech equivalent of small businesses. The average national monthly salary is Koruna 3,000.

The future of computing in Czechoslovakia looks bleak. There has been little support from the Government and the country has a poor record on technology – colour television was broadcast two years before any colour sets were available. The same is true of teletext at the moment and the cordless telephone is technically illegal.

Computing is also being held back by the Czechoslovakia's poor infrastructure. The telephone system is ageing, and has difficulty supporting communications between remote computers using modems.

In the West, the information technology revolution has changed the nature of the workforce – changing and creating jobs, as well as generating losses. But the Czech workforce does not have the flexibility to deal with such changes.

It is a constitutional right, for example, not to be forced to lose or change employment. There is also little incentive to change. Computing is foundering on an inflexible labour system.

However, the whole issue may one day be caught up in the politics of perestroika, bringing the hope of a shift in emphasis from quota fulfilment to productivity.

Plessey and Fisons in biosensors project

By Geoffrey Charlish

PLESSEY, the UK electronics group, and Fisons, the chemicals and pharmaceuticals manufacturer, are forming a consortium to research, make and market biosensors, a relatively new breed of detection device based on organic rather than inorganic chemistry. Cambridge University's Institute of Biotechnology is also involved.

Plessey believes such devices could command "a multi-billion pound" market in the 1990s. They would be used in hand-held instruments or bench-top systems with a host of diagnostic and analytical applications in medicine and industry.

Conventional sensors use chemicals which, for example, might change electrical resistance when heated, or generate a voltage if a force is applied. Biosensors, which have to be disposable (to maintain sterile conditions) and therefore cheap, are made from a semiconductor material with a thin, biologically active film coated on the surface.

The film is usually a protein which chemically interacts in a specific way with a biochemical present in the environment. The result is a change in the properties of the biological layer which is in turn sensed by the underlying semiconductor device. Possible changes range from an alteration of optical characteristics like refractive index, to an alteration of electrical resistance. The changes can then be processed electronically and displayed.

ARTS

Die Fledermaus

THEATRE ROYAL, GLASGOW

Simon Callow's first British opera-house venture is a new production for Scottish Opera of *Die Fledermaus*. Time and place are changed: Vienna of the 1870s becomes Glasgow of the late 1980s, a city of new prosperity and a newly rising fashionable society high in style and dubious in morals – altogether (according to the producer) a location in which Strauss's rentier-class characters and morality might be sharply and vividly re-created.

The specially commissioned translation, by the young comedy performer and writer Kit Hesketh-Harvey, changes (where necessary) names as well as places, and provides a strong infusion of local references – every mention of Kelvinside draws friendly laughs – and local society observations. Ros and Gabriel Eisenstein (unlikely Glasgow surname) are a beau monde couple, she the editor of *Heartbeat* magazine, he a yuppy moneymaker who has been caught out over a spot of insider trading (rather a short prison sentence?); they live in a hi-tech flat (wittily planned, as is the whole show, by Bruno Santini) complete with designer drugs and a collection of friends who include the acid-camp gossip columnist Johnny Falk.

Robin Leggate and Gillian Sullivan

So far so good. It is characters of this stamp, at the shady end of "good society," who provided the original with its edge of topical satire; and it is the fresh honing of that edge, almost always dulled beyond recognition in the familiarly plush, comfy-cosy big-house productions, that Mr Callow claims to have been his chief purpose in undertaking this modernisation – not the invention (in the words of his programme note) of "an ethnic production, a *McFledermaus*."

But in the original, the focus of satire was a still-cohesive imperial society, one in which a prison governor might believably go to a ball or the disguise of Hungarian countess be wittily donned. Writer and producer have had to work very hard indeed to come up with plausible 1988-in-Glasgow equivalents for that social cohesiveness, and on Monday it was the sense of desperate effort one recorded, far more often than the hitting of targets.

The updating devices tend to come across as strained, too obviously lacking in the wonderfully natural, inevitable farce-logic of the original; just to take the most obvious instances, the presence of an Italian tenor (here a wholly improbable London-cockney rendition) and the dramatic function in Act 2 of Rosalinde's Czardas go for almost nothing, and the transformation of Frank into the visiting Swedish governor of Barlinnie (invited there by Malcolm Rifkind – another easy laugh) has an air of five-minutes-to-midnight makeshift.

Mr Hesketh-Harvey's spoken dialogue packs in the one-liner jokes, which on opening night the cast delivered with very variable skill (the re-moulding of Frosch as Foz, punk-haired prison attendant, allowed Graham de Banzie to deliver some broad Glaswegian stand-up comedy that briefly brought the show to life). But a similar treatment of the lines for singing proves sadly over-ambitious – in the libretto I read, but in the performance I entirely failed to catch, such samples of name-and-product-dropping as espresso, sushi bars, the FT, and so on and on – while the sung lines one does catch are more often than not thudders.

Much of the evening, indeed, is heavy with the weight of damp squibs and missed opportunities. Mr Callow has marshalled his opera-house forces perfectly competently (except where – Adele's "Mein Herr Marquis" an example – he keeps his singers ineffectively far back on the stage); what he appears to have failed to achieve is the promised renewal of *Fledermaus* satirical sparkle.

Luckily, all is not lost. There is, at least, the pleasure of a fresh, lively account of the music. Jacek Kasprzyk, once past a stiff, driven overture, conducts a flowing account of the score, sensitive to the needs of both his cast and his producer. Young, limber leading voices have been chosen – Gillian Sullivan (returned to Britain after a too-lengthy spell in her native Australia) and the American soprano Amy Burton (British debut) as mistress and maid, both delightful singers if slightly too similar in timbre, Robin Leggate (Eisenstein), Justin Lavender (Alfred Crass – sic!) – and they bring a welcome note of freshness to the score.

Russell Smythe's Johnny Falk is elegant both in vocal line and in faintly menacing impersonation. Omar Ebrahim loyally and skilfully undertakes Mr Hesketh-Harvey's Felix Orlofsky, a "young Russian jetsetter," but, as has been established by more than one male performer of the role before this one, the effect of the vocal writing, particularly the introductory aria, is badly constrained when the voice occupies the wrong octave.

Max Loppert

Beethoven's Tenth

FESTIVAL HALL

The Royal Philharmonic Society might reasonably feel some chagrin towards Beethoven. Not once, but twice, they were cheated of the chance to present to the world a Beethoven première: first, the composer gave away the first performance of the Ninth Symphony elsewhere even though it rightfully belonged in London, and second, he died before finishing a later symphony he had expressly promised them.

Sketches for this opus had been made, but were believed lost until scholars identified them a few years ago. Dr Barry Cooper has sewn them together into a single movement and it is easy to understand the determined pride of the Royal Philharmonic Society at being able to give this first performance of Beethoven's "Tenth" Symphony on Tuesday night, even if the première has arrived 150 years late and does not, in all truth, amount to much.

What we get is little more than a tit-bit from Beethoven's last supper. Dr. Cooper readily admits that none of the sketches lasts more than 20 bars and all credit must be given to him for filling them out to a movement of the proper length (about 20 minutes). But the score never gives any impression of having grown organically from its fragmentary beginnings and consequently assumes no sense of purpose or stature.

The opening is promising. An E flat Adagio establishes a palpable feeling of "late" Beethovenian calm, a soothing and deeply-vested quality with the feel and sound of the Ninth's slow movement. (Cooper must have looked there for his instrumentation.) This music also returns at the end, which is interesting in itself, as it supposes a closed type of movement that Beethoven had not used to open any of his other symphonies.

What happens in between, though, is wholly unconvincing. A strenuous Allegro huffs and puffs a lot, twisting and turning with some most unlikely jolts in the musical logic and, indeed, never fully breaking free from the C Minor tonic which ties it down throughout. One is left with a picture of the composer energetically running up and down on the spot, to no great purpose. This "Tenth" is a postscript to the Beethoven histories, not an extra chapter.

With admirable commercial foresight an LSO recording of the work, together with explanatory talk, on the Pickwick IMP label was already on sale at the hall. This performance, however, was given by the Royal Liverpool Philharmonic under Walter Weller, who also accompanied Leeds prizewinner Vladimir Ovchinikov in an admirable Liszt Second Piano Concerto, shot through with much fantasy and delicacy on the part of the pianist.

As if all that was not enough, this was also planned to be the occasion when Dietrich Fischer-Dieskau received the Society's much-coveted Gold Medal after singing Mahler's *Kindertotenlieder*, but the German baritone did a Beethoven on them and failed to turn up with the goods. He received the medal and a tape of the speeches at his sick-bed in Berlin, but not (as far as I could see) a recording of the Mahler sung by Jard van Nes in his place. The Society's run of bad luck has evidently not ended.

Richard Fairman

Anita Dobson and Adam Faith

Budgie

CAMBRIDGE THEATRE

The curtain rises on a nostalgic view of old Soho and the sort of musical they wrote about it 30 years ago. Winking lights proclaim strip joints and sex shows and a tramp sits tidily in the corner before joining in a strip alley chorus for barkers and pimps, "They're naked and they move."

The show has a book by Keith Waterhouse and Willis Hall, and lyrics by Don Black, the trio who brought us *Billy* in the early 1970s. Taking Adam Faith's TV character, Budgie, a small-time hoodlum with a roving eye and big ideas, they embark on "Billy Mark 2" but end up with something precariously balanced between *Expresso Bongo*, a Brechtian underworld musical and a Joan Littlewood Cockney knees-up.

Budgie sees himself as the king of Old Compton Street, but is really its fall-guy. He accidentally crosses a serious criminal and squanders a brief-case of new notes. He makes that up clearing a cool grand for switching a stripper's unwanted baby to a childless bookie. And he nearly loses his girlfriend Hazel, his "Slag Number 2" from Basildon, before she gains the sympathy of Budgie's racketeering Glaswegian boss and a second chance at a run-down transvestite club.

All this is shot in very soft focus in Jonathan Lynn's well-organised production, efficiently designed by Saul Radomsky. The lyrics are dogged and decent, rhyming mobsters with lobsters, losers with schmoozers, and embarking on trickily extended blank verse patterns before tightening under the systematic, punchily anodyne music of Mort Shuman. Faith is a likeable, unassertive stage personality with a merely adequate voice that he uses to effective, tear-stained effect at the end.

He is then reprising the show's big ballad, "In One of My Weaker Moments," which first belongs to Anita Dobson's beautifully projected Hazel, a tart with a heart of silver. It is an egregiously insistent item, the melody never quite locked into place. It does not grow, it withers on you. Similarly, a trattoria trite aria for waiters and bit men never lives up to its opening line, sung to a leaning power of the pizza, "If You Want To See Palermo Again."

At which point John Turner, who both suggests but never transcends the memory of Iain Cuthbertson's TV Charlie Endell, bursts in to order a boiled egg. The production works several such switches, but only really takes off when the strippers, so to speak, take off. There is a tremendous trio for provincial ecdysiasts bemoaning their lot while wiggling their butts that owes something to the novelty act in *Gypsy*. Similar ambiguity is at work in another strong trio excoriating men while preserving squatters' rights.

This is a hospital scene, and the book falls apart in its dreadful, almost disgusting, treatment of pregnancy and maternity. Hollow sentiment is one thing, crass bad taste another. Not even a welcome reprise of the springy opening cake-walk makes up for that.

The sound system is not up to current West End scratch, though the musical direction of Paul Maguire is admirable. Gareth Marks as a mountainous minder, Nigel Leach as a seemingly bent copper and Barbara Young as a lush club habituée catch the eye in a strong supporting cast.

Michael Coveney

Lontano Ensemble

ST JOHN'S, SMITH SQUARE

Odaline de la Martinez's Lontano Ensemble is the hardiest annual among modern music groups. Twelve years old now, it pursues its inventive and lively goals undaunted by financial constraints or the smallness of the audiences which its more esoteric programmes frequently attract. It remains determined to be a showcase for every modern musical thing of worth. No comparable ensemble can boast such a varied repertoire, nor such a long-term commitment to it.

Its current season, which opened on Tuesday, is entitled "The Electric Lontano" and consists of four Tuesday night recitals (all at St John's) mounted in collaboration with the Electro-Acoustic Music Association of Great Britain. There will be a programme of electronic or electro-acoustic works by British composers, another devoted to similar works by "expatriated" composers living in Europe, and one featuring the music of the young Finn, Kaija Saariaho. The first concert presented what Lontano rather wishfully styled "The Transatlantics": five composers based in the USA, three of them in Boston, but none of them (except perhaps George Crumb) actually established in Europe.

First came Ronald Perera's *Three Poems of Günter Grass* for mezzo-soprano (Linda Hirst), tape and ensemble. The music pointed the texts with a would-be witty allusiveness (plenty of reference to jazz-cabaret and Viennese waltz) and should have made much more of the ironic possibilities open to it. There was always, too, an off-putting disjunction between the relatively suave electronic timbres and the pungently present chamber musical ones.

Such a problem could not arise with John Duesenberry's *Prajectile*, since it was a piece for tape alone – vivid, solid and short. And Peter Child's *Ensemblance* for tape and seven instruments avoided the problem by deliberately posing electronic imitations of instrumental texture against the real thing, a quite fetching procedure. Nor was the purely instrumental writing – a brightly-worked East Coast pointillism – of the concise one-movement essay without its appeal.

The instrumental statements of William Albright's *Sphaera* for piano and computer tape (impressively performed by Shelagh Sutherland and sound projectionist Alistair MacDonald) came wrapped in a resonant, sympathetic electronic envelope, meant to evoke "the Platonian universe of audible but unnoticed planetary songs." An increasing noteyness worked against the piece's initial vigour and charm. The *Eleven Echoes of Autumn* for violin, alto flute, clarinet and piano (1965) by a composer to whom Lontano has remained loyal, George Crumb, ended the concert with a pleasant reminder of those veritably Japanese delicacies of sound which were his unmistakeable and still surprising contribution to the 1960s avant-garde.

Paul Driver

La traviata

APOLLO THEATRE, OXFORD

Peter Hall's 1987 *Traviata* joins *Katya Kabanova* and *Die Entführung* on the road for Glyndebourne Touring Opera's 1988 season. The production has been rehearsed for the tour by Christopher Newell, and is conducted by Graeme Jenkins, though one singer is retained from the cast which appeared at Glyndebourne this summer – Fiorella Pediconi remains the Violetta for all the performances, and is largely responsible for the success of the evening.

Despite the faithful observation contained in John Gunter settings it continues to seem an ordinary enough recreation of the opera. How much definition has been lost with the cast changes I cannot judge, but the salon scenes lack detail and coherence, and the second-act choreography is sketchy, though perhaps that is a deliberate approximation, emphasising the homespun nature of the entertainment. Intimate dialogues are the production's strengths, and altogether tighter-knit, especially those in which Miss Pediconi is involved, for she lifts the opera on to a higher plane altogether.

In the expanses of the Oxford Apollo, which seem to become more delapidated by the year, her voice was adequately powered; greater bite at the top would provide more obvious excitement, but so much of her phrasing and colouring is stylish and unfailingly elegant, her control of rubato so expressive, one swiftly forgives any want of physical attack. Hers is an irresistibly touching Violetta, careworn from the very start, and already launched on a trajectory towards disaster, with a fine grain to her acting that reveals a natural instinct for the telling gesture.

She is partnered by Tibere Raffalli's Alfredo, who took much of the first act to get into his stride – some of Jenkins's early tempi seemed to be uncomfortably slow for him – but thereafter produced some sensible singing, which was a particularly effective foil to Pediconi. The Germont of Elia Padovan, a Corsican making his British debut on this tour, is a little dour but fluently sung and might develop further during the run. This trio gives a highly credible core to the production, and they are well supported by Eleanor Bennett's Annina, Patrick Donnelly's Grenvil, Hyacinth Nicholls's Flora and Robert Poulton's Douphol. There are no weak links.

The conducting gained in authority through the opera. It seemed sluggish to begin, as I've suggested – some later tempi went to the opposite extreme. But much of the music went naturally and unself-consciously, with the London Sinfonietta Opera Orchestra contributing some telling woodwind playing. Commonsense and fine sensibility are the hallmarks of the revival.

Andrew Clements

Complicité at the Almeida

Fans of Complicité, (they seem to have dropped the "Théâtre de" bit from their mast head) can glut themselves on this experimental drama troupe over the next few months. They are entrenched at the Almeida Theatre in Islington where they will be performing twelve productions over fifteen weeks.

A minute too late, their starter, is best suited to uncritical admirers and manic depressives. It's subject is death and Complicité's three principal actors – founder Simon McBurney, along with Jos Houben and Marcello Magni – corpse around for 75 fairly non stop minutes trying to squeeze some humour from not the most hilarious of subjects.

These days Complicité go in for verbals to flesh out their mime, their physical outbursts and their surreal images. Some of the material is deft, especially the opening scene set in a cemetery where three mourners get into a muddle; some is just manic, as in a simulated car ride in a hearse; and some plain boring, as in the final domestic interior sketch when inspiration seems to have ebbed totally away.

The problem is that the most amusing items are also the most familiar, having been lifted from silent movies. Surely it was Laurel and Hardy who perfected the animated corpse sketch while Magni has both the advantage and the disadvantage of looking like all of the Marx Brothers while McBurney is a dead ringer for Norman Wisdom.

At the end Complicité opts for pathos, making the progression from slapstick to heart tugging with an unsubtle crashing of gears. But when the circle is completed and McBurney returns to the cemetery as a sympathetic mourner of a finely sketched wife a level of intensity infects the performance that had previously been missing. Perhaps best to go for one of the shows when Complicité employs more of its forces on a happier topic.

Antony Thorncroft

ARTS GUIDE

EXHIBITIONS

London

The Royal Academy. Henry Moore, a full retrospective exhibition to mark the 90th anniversary of the birth of one of the great artists and pre-eminent sculptor of the 20th century. Ends Dec 11.

The Royal Academy. Toulouse-Lautrec: The Graphic Works. A comprehensive selection principally of lithographs, from the definitive collection made by Otto Gerstenberg of the graphic work of this brilliant and innovative draughtsmen. Joint admission tickets are generally available for concurrent exhibitions at the Royal Academy.

The Hayward Gallery. Three concurrent exhibitions. Eisenstein 1898-1948: His Life and Work; the first major study of the career of the great Russian film-maker, Sergei Eisenstein. Nam June Paik: Video Works 1963-88 (both until Dec 11). The Tiger Rugs of Tibet, which are little known in the West and never shown in this way before. Ends Dec 4.

The National Gallery. Rembrandt: Art in the Making. A small but highly informative study exhibition, prepared by the Gallery's technical department and centred on the major works by him in the collection, treating on Rembrandt's working methods and materials. Ends Jan 17.

Paris

Carte Musées et Monuments, sold in museums and Metro stations, enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles Palace.

Musée d'Orsay. Cézanne, The Early Years (1859-1872). The 63 paintings and 20 drawings and watercolours, already seen in London and on their way to Washington, reveal a hitherto neglected period of the artist's life. There are portraits and self-portraits, still lives and landscapes, all pioneering modern art. Ends Jan 1.

Artcurial. Zao Wou-Ki's retrospective traces the development of an artist formed both by the ancient traditions of Chinese art and by the works of the Impressionists and of Cézanne, Matisse and Picasso. 9 Ave Matignon. Ends Nov 10.

Picasso Museum. The 17th century Hotel Sale, sumptuously restored, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3,000 drawings and engravings, 16 collages and 88 pieces of ceramics. 5 Rue Thorigny. Closed Tuesdays.

Grand Palais. Vieira da Silva. After Lisbon, Paris celebrates the 80th birthday of the artist who, while born in Portugal, decided to live and work in France. Closed Tue, Wed late closing night. Ends Nov 21.

Galerie d'Art Saint-Honore. Still lives in Dutch and Flemish art in the 17th century. Only the ingrained tradition of painstaking craftsmanship of the time can explain the perfection and the shining mint condition of the paintings assembled by Monica Kruch. 267, Rue Saint-Honore. Closed Sat, Sun and lunchtimes. Ends Nov 18.

Berlin

Time Comparison 1988. Thirteen painters, spanning three generations, present the East German art scene in the 1980's. This exhibition concentrates on figurative painting and portraits. Among the artists are Hampel, Heisig, Ebersbach, Tubke and Libuda. Neues Kunstquartier, Gustav-Meyer-Allee 25. Ends Nov 20.

Bremen

Georg Baselitz, The Motif. Forty pictures by the German expressionist, born in 1939, from his most recent period. Kunsthalle Am Wall 207. Ends Oct 30.

Schleswig

Schleswig Holstein Landsmuseum. 1,000 years of Russian Art. This exhibition celebrates the 1,000th anniversary of the Russian Orthodox Church, taking as its theme the new alliance between church and state. Following its Moscow première in June, opened by Raisa Gorbachev, it has now moved to Schleswig, celebrating the relations between the German state and Russia. Ends Oct 24.

Frankfurt

Disegno Italiano. The Museum tries to portray the Italian cultural history of the 20th century with 130 paintings by 78 different artists. Städelsches Kunstinstitut, Schaumainkai 43.

Vienna

Museum of Modern Art/Museum of the 20th century. Works by Oswald Oberhuber, one of Austria's finest artists. Ends Oct 26.

Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.

Secession. Klimt's "Beethoven Frieze" is now back in its rightful and original home in the beautifully restored Secession. Also on exhibition are works by two young Austrian artists, Gustav Damisch, the painter and Willi Kopf, the sculptor. Ends Nov 9.

Albertina. Exhibition of drawings by Alfred Hrdlicka, considered to be one of Austria's most controversial artists who managed to divide public opinion on plans by the City of Vienna to (finally) build a memorial to those who fought in the resistance during the Second World War. Ends Nov 30.

Venice

Palazzo Grassi. The Phoenicians. The fourth major exhibition at Fiat's imposing art centre on the Grand Canal attemps to give a complete picture of this extraordinary people, who dominated trade in the Mediterranean for over 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. Until Nov 6.

Ferrara

Palazzo dei Diamant. Treasures from the Ghetto. A remarkable collection of precious objects in gold, silvers and textiles, connected with the Jewish religion. A large part of the objects on show were requisitioned by Hitler and were to have formed the basis of his unrealised Museum of an Extinct Race. Until Jan 15.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1580. Ends Jan 8.

Metropolitan Museum. The first major Degas retrospective in more than 50 years has 300 paintings, sculptures and drawings covering the artist's entire career and various interests, from early classical motifs and stiff portraits to the ballet studios and washerwomen that freed his imagination. Ends Jan 8.

Museum of Modern Art. Almost 100 black-and-white prints illustrate Matisse's influence during a 50-year printmaking career that included lithography, drypoint, etching and linoleum cut. Ends Nov 6.

David Nolan Gallery. Another interesting show from a lively Soho gallery that specialises in European artists. Early works by Joseph Beuys trace the development of the German artist from fine loopy drawings in the 1950s to the characteristic and enigmatic fats and melting chocolates of his later work. (925 6190). Ends Oct 29.

Chicago

Art Institute. The first major retrospective in 30 years of Paul Gauguin includes more than 230 objects and major paintings from all the periods of his exotic and far-flung life. Ends Dec 11.

Washington

National Gallery. The largest show of Michelangelo's drawings ever mounted in the US illustrates all the principal phases of his artistic development, divided into sections on draughtsmanship and architecture. Ends Dec 11.

Tokyo

Tokyo National Museum. Japanese Archaeology: History and Achievements. Over 300 exhibits tracing the history of archaeology in Japan, from the time when an American scholar spotted a shell mound near a Tokyo railway station in 1907 to some spectacular finds of recent years, which have overthrown many of the cherished theories about Japanese civilisation. Closed Mondays.

Hara Museum of Contemporary Art. Shinagawa. Oil paintings by Tomie Ohtake, who emigrated to Brazil in 1936 and is now regarded as one of Latin America's liveliest abstract artists. This is her first solo exhibition in her native country and has been organised to commemorate the 80th anniversary of the arrival of the first Japanese immigrants in Brazil.

National Museum of Modern Art. Genealogy of Realism. Oil paintings from the Meiji Era (1868-1912). Japan's first western-style art school opened in 1876 and artists soon grouped into followers of the Barbizon School, with its sombre devotion to peasant life and use of the more liberated palette of Impressionism. Both strands are well represented in this comprehensive exhibition. Closed Mondays.

SALEROOM

Record for Picasso plate

The leading painters of the 20th century often turned their attention to decorating the odd pot or plate. Sotheby's held an auction yesterday of such ceramics, producing a total of £733,810, with 17 per cent unsold.

The top price was the £68,200 paid for a plate painted by Picasso in 1956 with a portrait of his last wife Jacqueline, in a Greek peasant style. The price, a record for a Picasso ceramic, was within estimate. A Japanese collector gave £60,500 for a Provencal wine jug painted by Picasso with the head of a woman.

Another item by Picasso, a jug in the shape of an owl, realised £49,500 to the same buyer while a European collector gave £38,500 for a small wine pitcher, decorated by the artist and sold by Picasso's grand daughter, Marina. A vase painted with butterflies by Dufy realised £36,300, a record for a Dufy ceramic.

The artist out of favour, china wise, was Leger. His trial mosaic motif for the American War Memorial at Batsogne was unsold at £38,000 and the best bid for a 74 piece dinner service he decorated was £14,000. Sir Richard Attenborough's Picasso-painted vase "Personnages et têtes" was also bought in, at £32,000.

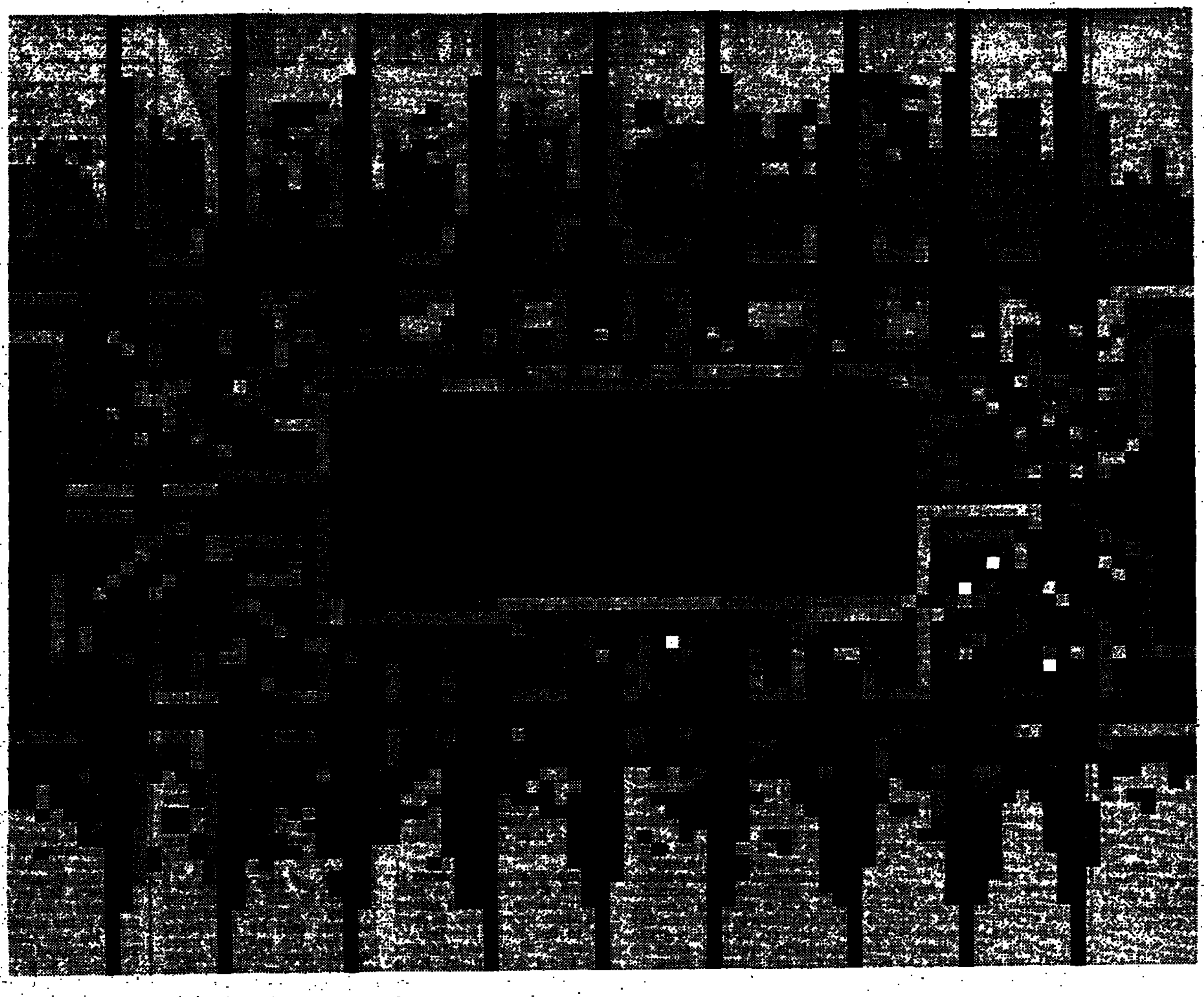
Sotheby's secured a record for a ruby, indeed for any coloured stone, in New York on Tuesday when a 15.97 carat Burmese ruby sold for $3,630,000 (£2m). In was set in diamonds and gold and platinum.

The Marquess of Bath is £110,000 richer today after selling a set of four George III two handled wine coolers made for the family in 1809 by Paul Storr at a Christie's silver sale; the price was at the bottom of the estimate. The buyer was Koopman, the London dealer, who also acquired a George II oval cake basket by the other great name among English silversmiths, Paul de Lamerie. In 1948 Christie's sold it for £250.

Meanwhile in New York the Archdiocese of Los Angeles has raised £2.3m by selling more books from the library of the late Estelle Doheny, which had already brought it in £15.4m. The top price was the £238,000 paid by the London dealer Maggs for a Bible published by the Oxford University Press in 1680.

Antony Thorncroft

SIEMENS



A new Measure of Progress: Siemens Megatechnology

Megatechnology is *today's driving* force *in microelectronics. It is the standard* against which all future progress will be measured: whether the standard be technical innovation or price competitiveness.

Megatechnology is here! State-of-the-art production techniques allow for submicron devices to be produced with unprecedented reliability. The Megabit DRAM, *for example*, contains 2.2 million components on a chip only 45 mm² with capacity to store the contents of 64 typed pages – about half the text of a small novel. Such progress is a new dimension in high-speed semiconductor memory technology, but has only been achieved after considerable financial and human resource expenditure involving technical *development, advanced fabrication* methods and quality assurance engineering.

Siemens is the only European manufacturer of 1 Megabit DRAMs, yet development is well advanced for the next generation of the memory – a 4 Megabit device involving even smaller scales of integration. This chip – with sufficient capacity to store an average-sized novel – will be in production by next year.

Progress continues, for high-capacity memories are only a means to an end: they are the "vehicles" for even more complex chip technology that will bring greater innovative trends to: telecommunications and information technology, industrial electronics, automotive electronics, entertainment electronics and many other fields where innovation linked to quality are key factors.

You can obtain more information concerning the state of Megatechnology from Siemens at Electronica '88 in Munich from 8th – 12th November in Hall 23 on Stand A4, or just call our U.K. Sales Office at Sunbury-on-Thames on 0932 785691. There is a Megasolution to all your microelectronics problems!

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Thursday October 20 1988

Censorship is irrelevant

MR DOUGLAS HURD, the Home Secretary, yesterday confirmed the long-expected decision of the British Government to ban television and radio interviews with supporters of Sinn Fein, the political wing of the Provisional Irish Republican Army, and of the Ulster Defence Association, the protestant para-military organisation. The decision is questionable in principle and is likely to bring little, if any, benefit to the fight against terrorism. As an outcome of the Government's review of security policy in and around Northern Ireland, it looks trivial – more an indication of the increasing tendency to interfere with the media than to grapple with problems at their roots.

The argument that broadcast interviews with Sinn Fein or the IRA provides those organisations with the "oxygen of publicity" is implausible. It suggests a public so gullible that it is likely to be taken in by the absurd rhetoric of (say) Mr Gerry Adams, the Sinn Fein leader. Possibly not even Mr Adams believes that.

More important, the Government's decision to tinker with the way Northern Ireland is reported will strengthen the view, widely held on both sides of the Irish border, that British Ministers see the Irish problem largely in terms of security – to the neglect of the political and social factors that contribute to the unrest.

Anglo-Irish Agreement

One of the advantages of the Anglo-Irish Agreement, signed three years ago next month, was that it ensured much closer cooperation on security matters with the government in Dublin. The successes have not been negligible: indeed anyone who opposes the Agreement ought to consider how much worse the situation might be today, if the Irish authorities were not trying to block the flow of weapons to the terrorists. Yet it is also true that the Agreement has not so far reduced the level of violence in Ulster.

There appear to be two main reasons for that. The first is that most Unionists remain as hostile to the Agreement today as they were when it was first signed. The second is that it has not been accompanied by tangible improvements in the living and working conditions of the Catholic community in Northern Ireland – at least that part of it which gives sustenance, directly or indirectly, to the IRA and which tends to vote for Sinn Fein in local elections.

Poverty and alienation

Despite the efforts that have been made since the civil rights marches in the late 1960s, the extent of the political and social alienation among Catholics, especially but by no means exclusively in the working class districts of Belfast, is still under-estimated by the British authorities. What is more, the neglect shown. A place such as New Lodge in North Belfast – a small Catholic community hemmed in by Protestant areas, under constant surveillance from the army, and living with unemployment of over 50 per cent – is not merely an obvious recruiting ground for the IRA and, just as important, IRA sympathisers. It is also a blatant example of inner-city deprivation, made worse by the history of religious and social discrimination.

Mr Tom King, the Northern Ireland Secretary, is trying to bring the Unionists into the Anglo-Irish Agreement, the workings of which are being reviewed in the next few weeks. The Unionists should realise that it is in their own interests to participate. The Agreement is a fundamental and necessary part of British policy: opting out has brought the Unionists no benefits whatsoever.

Equally, however, the Agreement so far is not enough. It is imperative that the British Government should show that it intends to deal with those problems of poverty and alienation that would be regarded as intolerable if they existed on the mainland, and be seen to do so. Mr King is anxious to introduce a Bill that would limit discrimination in the work place. That is commendable, but still not sufficient. What is also needed is a drive to eliminate the conditions on which the IRA and Sinn Fein continue to thrive.

New regime for British Gas

THE MONOPOLIES Commission has pulled no punches in its criticism of British Gas's behaviour to its larger industrial customers. Its report yesterday showed that the Government was seriously mistaken to sell this large state monopoly without ensuring that the industrial gas market was under the general supervision of the regulator.

However, the report also demonstrates that the framework established for controlling privatised utilities can be used to correct earlier mistakes. In its anxiety to limit the oversight of the Office of Gas Regulation (Ofgas) to the tariffs for domestic consumers, the Government over-estimated the effectiveness of competition from other fuels in the industrial sector; but it also established the procedure by which the Monopolies Commission could vary the terms of the company's licence if a tougher regime appeared necessary.

The detailed analysis of British Gas's industrial pricing policy might have been better done before privatisation than 18 months afterwards. But if the company now co-operates with Ofgas to agree changes to its licence, no great harm will have been done, except perhaps to shareholders frustrated in the hope of monopoly profits.

Market power

It is important to remember, however, that the abuses of market power uncovered by the commission were not a consequence of privatisation. British Gas's secretiveness about industrial pricing, its intrusive questions about the final use of gas and its discrimination against customers with the weakest bargaining power were all established in the days of state monopoly.

One of the benefits of privatisation, it can now be seen, was to bring into public discussion abuses of monopoly which had been shrouded by bureaucratic inertia and political indifference. Much of the credit for this must be given to Mr James McKinnon, director of Ofgas, who fought determinedly against British Gas's efforts to withhold information, and has set the agenda for establishing credible competition in the industrial gas market.

The new rules will require British Gas to publish indicative prices for industry, to be much more open about the charges it would make for use of its pipelines and to submit to the authority of Ofgas in the case of pricing disputes. It will no longer be allowed to charge a higher price for gas used in applications like electricity generation, which it previously tried to discourage. This greater transparency should help potential competitors to gauge their chances in the gas market. It should also help consumers to judge the advantage of investing in equipment which would allow them to switch to alternative fuels.

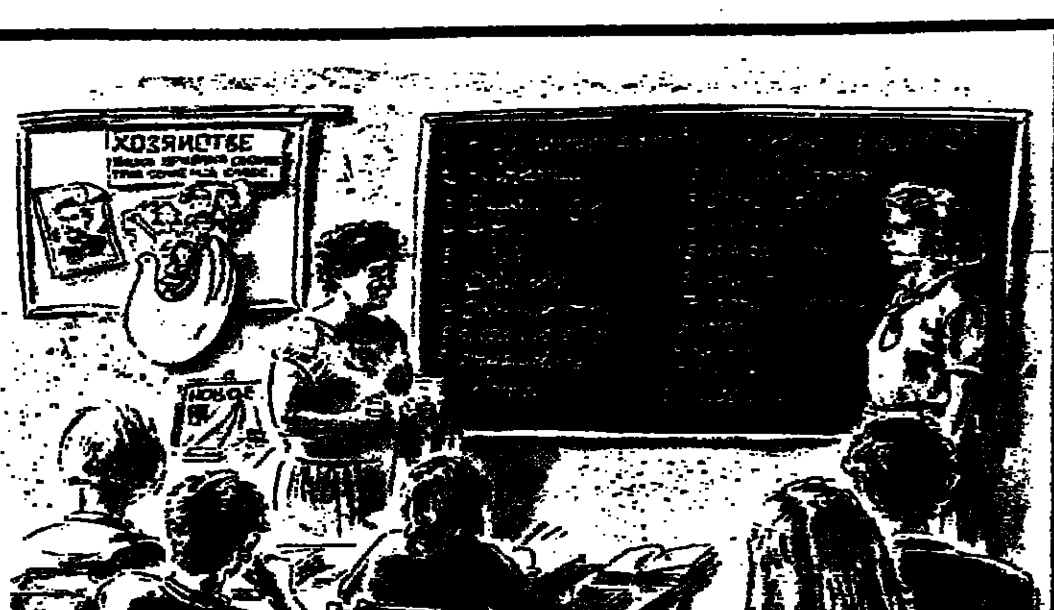
Cosy relationships

A further provision that North Sea producers should sell only 90 per cent of the output of new fields to British Gas is a welcome effort to disturb the cosy relationship between the company and its suppliers. These measures can be expected to stimulate at least some competition from alternative gas suppliers. But this is less important than persuading the company to behave more as it would do in a competitive market.

The lesson which the Government should learn from the report is that inadequate regulation of the big privatised monopolies can be at least as dangerous as the over-intrusive regime many US utilities complain about. The old nationalised industries' arrogance and their insensitivity to wider economic costs will take time and the determined effort of regulators to break down, as is now evident in British Telecom as well as British Gas.

When writing the rules for privatised electricity, the Government must be wary of the industry's claims that it will be partly disciplined by competition. Since monopoly power will be strong even in the wholesale and industrial markets, the regulator must be given fairly wide powers of oversight. If this had been done in the case of British Gas, the need for yesterday's Monopolies report could have been avoided.

David Thomas, recently in the Soviet Union, assesses the likelihood of success of a sweeping reform of the outdated education system



Pens poised for glasnost

Alexander Klein, headmaster of Maiskii school in the wilds of Siberia, is a squat man who looks like the country people among whom he lives. The area he serves could have stepped out of the pages of Tolstoy; it is hard to think of him as being at the cutting edge of the Soviet Union's reform programme.

Maiskii is full of privately owned wooden houses, little bigger than huts and unadorned except for brightly painted shutters. Geese and chickens to supplement the villagers' incomes are penned into the tiny gardens, jealously fenced off. The school is so entwined with the 5,000-hectare collective farm, which gives the village its name, that the farm workers carry out all Mr Klein's repairs.

Maiskii is remote even by Soviet standards, yet Mr Klein, while no doubt briefed about what foreigners should hear, is conscious of what Mr Mikhail Gorbachev's reforms could mean for his school. "At present, I don't have the right to be flexible," he says. "But in December there will be the Congress of Teachers, and after that I will be free to go deeper into certain subjects with the senior pupils."

From one perspective, whether perestroika and glasnost take root in education is crucial to the eventual success of the entire project.

For the Soviet education system was constructed to produce Stalinist man. All Soviet children, except a carefully selected élite, were taught the same subjects by highly traditional methods in schools whose heads were appointed by the local education committee, in effect the Communist Party. The aim was to produce young adults who would slot unquestioningly into whatever role society allotted them.

This was all very well for the rigidly hierarchical, top-down social model adopted by the pre-Gorbachev Soviet Union. But it hardly fits the push for a more flexible and open society which lies at the heart of the reform programme.

Those responsible for Soviet education realise they cannot keep churning out Stalinist young adults into a post-Stalinist society. "Our desire is to mould the reforms to the personality of individual school children," says Vladimir Shchadrikov, schools minister.

What these generalities mean was spelt out in February at a special plenary meeting of the Communist Party's central committee devoted to education. It will be driven home at the teachers' congress in December, called to discuss the educational reforms. These boil down to two main strands.

● Decentralisation: The Soviet authorities, keen to prod schools and universities into taking more decisions for themselves, are giving them more control over their own affairs.

In future, rectors of higher education institutions are to be elected by an academic board on which students will have a quarter of the seats. "This is quite a new procedure. It is usually leading to a very sharp discussion about the candidates," according to Mr Viktor Zubaryev, a deputy education minister.

Similarly for schools: teachers will choose their heads from candidates nominated by a variety of sources (still including the local party). At Maiskii, Mr Klein jokes: "I'm a relic of the past. I was appointed by the district education committee. Under the new procedure, I would be elected by a secret ballot of all the teachers."

● More diversity: Hand in hand with greater control for educational institutions goes a drive for them to be less uniform.

This is partly a matter of greater flexibility in the curriculum, particularly for older school pupils. In future, only 19 out of 26 compulsory hours a week will be spent on the three core subjects of Russian, history and sociology, and natural sciences.

The Soviet authorities claim they want schools to experiment more in what they teach. Some professionals complain that it is a waste of time for their children to spend one day a week on often low-grade vocational training, such as sewing and changing plugs.

The number of special schools, where promising children are chosen for intensive study in languages, sciences, maths, music or sport, is being increased. Mr Shchadrikov acknowledges the widespread desire for a more differentiated system: "Different social strata have their own specific needs for education."

Diversity will also come by relaxing the formality of Soviet teaching methods. At present, even the youngest children sit in neat uniforms in equally neat rows in the classroom. A bell rings to mark the end of lectures even in some elite Soviet universities.

Mr Andrew Pyner, a Bradford University student learning Russian at the Herzen teachers' training institute in Leningrad, found more of his day being spent in classes than in Bradford, where students are expected to study independently in libraries. Mr Vladimir Mikhlin, the Herzen's prorector, says the institute wants trainee teachers to cater for the needs of the individual child.

This loosening of the reins is reflected in additional ways in the universities, where academics are being encouraged to think along entrepreneurial lines.

Research institutes, until now funded automatically from the centre, will get part of their budget by bidding under a new system of competitive grants. Universities can also strike training contracts with businesses, which will pay them for producing set numbers of graduates in specific disciplines. Mr Felix Peregudov, the higher education minister, hopes universities may get a tenth of their money through these training contracts.

Running on parallel lines is a new freedom and a new determination, at least among the better universities, to open up to the West. Barriers to exchanges of staff and students are being dismantled. Elite research institutes are keen for commercial help from Western companies in exploiting their findings outside the Soviet Union. Mr Yuri Tsvetkov, secretary of the Academy of Sciences in Novosibirsk, told a recent British delegation that scientists there were eager to discuss 200 proposals with Western companies.

Mr Gennadi Yagodin, brought in this year to spearhead the reforms as chairman of the state committee on education, points to inertia among many teachers as his main worry, a problem familiar to reforming education ministers in the West. The Soviet Union is planning for every teacher to be assessed once in five years and then put through a retraining course to remedy deficiencies. Deputy Minister Zubaryev envisages a shake-up: "Many of the old guard will have to retire because they will not be able to cope with the new needs."

The size of the Soviet Union, which has over 3m teachers in 136,000 schools, means the impact of the reforms is bound to be patchy, even before account is taken of the ability of local officials to put the brakes on changes. There is still uncertainty about how much control the centre is prepared to relinquish. And that is an important reason why the authorities are having such trouble in producing a new history text book, after the old one was abandoned earlier this year for failing to tell the truth about Soviet history.

Moreover, Soviet schools are being asked to introduce more sophisticated teaching methods and a more diverse curriculum with often grossly inadequate resources. Computers and other modern teaching aids are at a premium. Education's share of the state budget fell from 11 per cent in 1970 to 8 per cent in 1986. The February plenary of the central committee was told by Mr Yegor Ligachev, the politburo member then responsible for education, of the need to cut class sizes, reduce the school entry age from seven to six and end the still common practice of putting children through schools in two shifts.

The Soviet educational system is being prepared for the next century with many teachers and most of its resources still rooted in the 1950s.

BOOK REVIEW

A man ahead of his time

LIONEL ROBBINS
by D.P. O'Brien
Macmillan £29.50 244 pages

Lionel Robbins' influence on the post-war world extends far beyond his contributions to academic economics. By the end of the war he had become the first head of the Economic Section of the Treasury, and used to brief the Permanent Secretary at 11:30pm for night-time meetings involving the Prime Minister. Under him the famous White Paper on Full Employment was produced and he travelled across the Atlantic with Keynes to negotiate Bretton Woods and the American loan.

As Lord Robbins of the Robbins Report, he proposed the vast expansion of higher education of the 1960s and the 1970s which is now so controversial. As chairman of the Financial Times from 1960 until 1971 he presided over a distinguished period of its expansion and development. As Chairman of the Governors of the LSE had to deal with the 1968 riots, which he contained with minimal concessions.

Dennis O'Brien's lucid book is concerned above all with the development of Robbins' thought and work as an economist. He was appointed to a leading chair in the LSE at the age of 30 which involved him at once in administrative duties that confined much of his academic writing to responses to particular invitations, but what stands out in Mr O'Brien's account is the extraordinary good sense and prescience of much of his occasional writing.

This was heavily influenced by his mastery of classical economics which left him extremely discontented with the tenor of British government economics after he left the Treasury, and especially the efforts to control the macroeconomy without regard to the monetary base. His vivid account of our perpetual stop-go while money was left unconstrained bears repetition.

"We have been attempting to drive our car through this difficult post-war country with the steering-gear out of action, the wheels lashed rigidly in one direction, our only means of equilibration an occasional stop, every few months, for the wheels to be unlashed and turned at another angle – while ministers stand on the roof and deliver salutary exhortations."

Robbins' plea for the aim of an elimination of inflation via monetary control, so well in time with Treasury thinking in the 1980s, fell on deaf ears in the 1950s when he gave his evidence to the Radcliffe Commission. Mr Alec Cairncross (now Sir Alec) asked him sceptically, "In Brazil is it not the case that national income has increased very rapidly in spite of progressive inflation?" and followed this with, "At the back of my mind was the question whether investment would hold up if the inflation ceased?" We knew nothing in 1958 of how Germany would combine exceptional growth with the reduction of inflation to zero, and Robbins' insistence to Cairncross and his colleagues that Brazil would invest more successfully with zero than with treble digit inflation made no impact.

Robbins was also far in advance of his time as an economist in his pleas for top income tax rates of less than 80 per cent and for a then unfashionable belief in economic incentives. I recall the total bewilderment in the Cambridge Marshall Library in 1955 that someone called Lionel Robbins had written an article in Lloyds Bank Review which called for lower income tax for the highest earners.

The problem with Robbins' then unfashionable classical economics was that it was mostly published in bank reviews and equally ephemeral places. Mr O'Brien speaks of his distrust of econometrics in the 1930s but the Treasury ignores economic journalism. As soon as David Laidler, Michael Parkin and Alan Walters began to produce monetary econometric work of quality, it began to become respectable to take money seriously, and the fact that the monetary equations break down every few years as Robbins predicted they would has been no bar to a renewed emphasis on monetary policy.

But it is an error to regard Robbins simply as an economist of the right. In social affairs his position was liberal, and the mainspring of the Robbins Report was to extend educational opportunity generally and not specifically to further economic growth: "Common sense tells us that, for instance, there can be little direct connection between, say, the numbers studying art history and productivity in manufacturing industry . . . But I believe nevertheless that there are arguments, attempting no such bogus precision, which are more compelling . . . Provided that the educational activity is not gravely misdirected, it is reasonable to suppose that, in general, society is likely to be more efficient, more progressive, more humane, the larger the proportion of people who have had the opportunity of developing their intelligence in this way."

A reader of Mr O'Brien's fascinating book – which does full justice to its subject – cannot fail to look around today and ask who is offering us wisdom that equals that of Lionel Robbins.

Walter Eltis

The author will shortly become Director General of the National Economic Development Office.

OBSERVER

Quiet day in the City

■ Perhaps Black Monday has turned out not to be one of those days you will always remember – like the day of the assassination of President Kennedy. On a small straw poll, even members of the modestly investing public were unaware that yesterday was the first anniversary. There are some parties, but it is unlikely that there will be time to go to them. So Observer marked the event by watching a film shown by Merrill Lynch, the company that brought Wall Street to Main Street (or is it the other way round?).

It arrived in London late, because apparently nowadays all imported film tends to be held up at customs in case it is pornographic. This one is immensely optimistic. The advice from Merrill Lynch is to go into bonds and wait for the industrial renaissance. Shortly before last October the ideal portfolio was seen as 60 per cent equities, bonds 40 per cent. There was a brief period when the firm advised staying liquid; now it recommends an equity bond ratio of 40:60. In the US Merrill Lynch claims that the crash led to a crop of new investors: people who realised that the world had not come to an end after all. The events a year ago made the markets more interesting to them.

The film was shown to about 100,000 people at parties across the States on Monday, which seems to me very enterprising. London, please note.

Borrowed rags

■ The press is once again after Nancy Reagan. At least, that is the view of the White House, after a spate of reports that the First Lady broke her word, given in 1982, to stop borrowing designer clothes and jewellery from American fashion houses.

Fashion experts have valued the borrowed collection at more than $1m, including 60 to 80 outfits from one designer, David Hayes of Los Angeles; a $10,500 white mink from Galanos; and an $800,000 pair of ten-carat diamond ear-rings from Harry Winston in New York. Time Magazine has assembled more than 300 photographs taken since 1982 of the First Lady in borrowed kit.

White House spokesmen have said that the President is "very upset" about the attacks on his wife. Elaine Crispen, her press secretary, has admitted that, in going back on her promise not to borrow, the First Lady "broke her own little rule," which she now "regrets". To quote one of her favourite songs, when it comes to clothes: "She's just a girl who can't say no."

Caracas Square

■ There is a nice twist in Mountleigh's sale of its Paternoster Square property in the City to the Venezuelan-based Cisneros Group (ODC).

Three years ago ODC bought Galerias Preciados, the loss-making Spanish department store chain, in a first ambitious attempt to become a top European retailer. However, ODC pulled out after two years in what was essentially a property deal with Mountleigh.

Now ODC has branched into property via the friendship struck up between Mountleigh's Tony Clegg and Gustavo Cisneros, the 43-year-old president of the Group. Even in Venezuela ODC has not been prominent in either property or construction.

The Cisneros Group is the most internationally active among a handful of family-owned companies that completely dominate the private sector in Venezuela. Diego Cisneros, a Cuban immigrant, founded it in 1930 by starting a small transport business. A good marriage helped him to raise funds to finance a Pepsi-Cola bottling plant. The Cisneros Pepsi operation in Venezuela, which now has the largest market share in the world, proved the basis for the family's fortune. ODC also has the Pepsi franchise in Brazil. Diego died in 1981 and the business is now run by three of his sons, headed by Gustavo.

"I see the Argies are still trying to pick a fight."

As well as soft drinks, the group owns a major television network, radio stations, has various banking interests and the country's largest supermarket chain. The latter was bought from the Rockefeller family, which has retained close connections with the Cisneros. Thus Gustavo is on the international advisory committee of Chase and on the board of Rockefeller University.

He is probably also the Venezuelan businessman with the most institutional involvement in the US. He is chairman of the American Society of New York, on the advisory board of Beatrice Foods, and has just joined the advisory board of the Power Corporation of Canada. The Group's main business activity in the US is a controlling stake in Spalding, the sports goods concern. Gustavo recently returned from China where he was seeking to expand the Spalding interests. So Paternoster Square has not exactly gone to a nonentity.

Business trip

■ West German businessmen have been jostling for a place in Chancellor Kohl's delegation to Moscow next week. At the latest count his party will include 70 non-governmental guests, most of them leading executives; early this week the number was less than 50.

There will be one notable absentee, however. Peter Henle, who was to have travelled in his capacity as president of the West German Society for Foreign Policy, is staying at home. Henle, a member of the family running the Klöckner Group, has to help pick up the pieces after its rescue by Deutsche Bank last week.

His place on the Moscow trip will be taken by Professor Karl Kaiser, director of the Foreign Policy Society's research institute, who will be signing an agreement with the Soviets on fostering East-West debate between Moscow and Bonn. Kaiser is a specialist on the international conference circuit.

Child labour

■ We thought that those days were over, but the following notice has appeared in the window of a small secondhand bookshop close to the Financial Times: "Small Boy Wanted Aged 5 to 7 years Not afraid of heights or the dark To assist chimney sweep." A telephone number is given.

The attitude of "No Tax Cuts, Please, We're British", was widespread among the chattering classes well before the last Budget. It has, of course, been reinforced by the little local difficulties over inflation, and perhaps the trade balance, into which the British economy has run.

Needless to say this hairshirt attitude has been in no way lessened by the demonstration that there were no effective cuts for the average taxpayer, despite the reduction in top marginal rates which have occasioned so much guilt.

In the last financial year taxes, including social security contributions and rates, were estimated at 38 per cent of GDP. This was higher than when the Thatcher Government took office in 1979 and higher than at any time during the last Labour Government – a conclusion which remains even if North Sea revenues are excluded.

The changes in the 1988 Budget were not expected to reduce the proportion of GDP going in tax. Rising real incomes automatically increase the tax take in a tax system with fixed real starting points and thresholds: an effect known by the unlovely name of "real fiscal drag". To offset the drag and prevent the tax burden increasing, either real thresholds have to be raised, or tax rates reduced.

Predictably facts and logic have had little effect on British puritans. Nor has the detailed demonstration that the inflationary growth of demand began long before the last Budget and had its roots not in fiscal policy, but in the liberalisation of credit, most of it taken out in mortgages.

Although top marginal rates have been cut, the effective burden on the average taxpayer is higher than when the Government took over

If any aspect of fiscal policy is to blame it is not the overall tax adjustment in the 1988 Budget, but the refusal to limit mortgage interest relief, which according to press reports the Chancellor wanted and the Prime Minister vetoed.

* * *

We can expect a barrage of studies and investigations claiming that there are few benefits from cutting marginal tax rates. Before becoming too influenced by them, we would do well to study a lecture given by the Swedish professor Assar Lindbeck on The Limits of the Welfare State, on October 12 (obtainable from the Department of Economics Birkbeck College, London).

Lindbeck, who is chairman of the Nobel Prize Committee, is far from having a New Right background. Before analysing the corrosive effects of high marginal tax rates he lists the achievements of the Welfare State. They include the reduction of poverty; a decline in the risks from unemployment, illness and old age faced by citizens who would not have taken out adequate insurance themselves; and general redistribution of income towards those at the lower end.

ECONOMIC VIEWPOINT

Tax snake in the welfare garden

By Samuel Brittan

These effects are shown for the UK in the table. Households in the bottom fifth of the income distribution, many of whom were retired or unemployed, had original incomes averaging only £120 per annum in 1985. The effect of cash benefits was to raise disposable income to nearly £3,400. Government statisticians then add in the estimated value of benefits in kind, such as the Health Service and state education, and deduct indirect taxes. The result is a final income of nearly £4,000 per annum.

Among the top fifth of households, the effects are the opposite: Average original income was over £22,000. But the impact of taxes and benefit was to reduce final incomes to just under £15,500.

Lindbeck gives two warnings about the apparent redistribution. First, part of the apparent redistribution is among the same individuals over different stages of their life. Secondly, there is the vexed question of what provision households would have made for their own retirement, health, education, and other needs in the absence of state provision, and what also would have been the effect on private beneficence.

He remarks that there is a snake in every paradise: in this case the marginal tax snake. His data suggest, as generally believed, that redistribution goes further in Sweden than in Britain. But the marginal tax snake is also more menacing there. Lindbeck estimates the implicit marginal tax paid, not by the rich but by the average citizen, at around 70 to 80 per cent.

It is less in Britain, but by not as much as we might like to think. The average taxpayer, whose income is above poverty trap levels, pays a basic tax rate of 25 per cent on additional income and a further 9 per cent in employee national insurance contributions. The employer's contribution of 10.45 per cent, which must in the end come mainly out of wages, should also be added. We should also take into account taxes on final consumption such as VAT, or drink and tobacco duties, which amount to an impost of another 13 per cent on each extra pound earned.

Redistribution of income through taxes and benefits, 1985

Households ranked by original income (£ per year)	Bottom fifth	Next fifth	Middle fifth	Next fifth	Top fifth	All households
Average per household						
Earnings of main earner	10	1,300	6,030	8,960	14,490	6,160
Earnings of others in the household	–	70	650	2,490	6,130	1,870
Occupational pensions, annuities	50	860	590	440	570	500
Investment income	50	390	380	430	980	440
Other income	10	120	140	90	160	100
Total original income	120	2,720	7,780	12,380	22,330	9,070
+ Benefits in cash						
Contributory	1,680	1,830	680	350	270	960
Non-contributory	1,600	750	530	440	410	750
Gross income	3,390	5,300	8,990	13,170	23,000	10,770
– Income tax and NIC	-10	350	1,480	2,580	5,300	1,930
Disposable income	3,390	4,940	7,530	10,610	17,700	8,830
– Indirect taxes	790	1,420	2,050	2,840	3,840	2,160
+ Benefits in kind						
Education	320	450	580	700	780	560
National Health Service	820	800	710	660	670	730
Travel subsidies	50	60	60	70	120	70
Housing subsidies	130	70	60	40	20	70
Welfare foods	50	30	20	20	20	30
Final income	3,960	4,920	6,820	9,460	15,450	8,140

Taking into account some other statistical adjustments, we end up with an effective marginal rate paid by the typical taxpayer of approximately 52 per cent. For the top taxpayer the effective marginal rate is around 57 per cent. Before the last budget it was 66 per cent, taking everything into account.

In Britain, some of the worst remaining tax distortions are now at the bottom of the income scale. Restoring penal marginal rates at the top would not, however, do anything effective about the poverty trap, but would entrench all the damaging distortions identified by Lindbeck, which once in position are extremely difficult to remove.

The most striking contribution of Lindbeck is to show that very high marginal tax rates have all sorts of effects not realised by those who enact all the incentive cases. They all spring from the wedge inserted by high marginal tax rates between the social and private rate of return to work and enterprise.

For example, certain assets, such as housing, durable consumer goods, or "complex manipulation with debt and capital gains," are politically or technically more difficult to tax at these high rates than the return from normal business investment. Thus investment becomes distorted.

One stock argument against the disincentive effects of high marginal tax rates on work is that individuals have little chance to vary their hours, which are fixed by the employer or by collective bargaining. The Swedish professor undermines this objection by pointing out that tax rates must affect over a long period union preferences between shorter hours and take home pay. Working hours have fallen most in countries where marginal tax rates have been highest.

Lindbeck mentions elusive consequences for the intensity or quality of work or willingness to acquire more skills. I would myself put most emphasis on the effects of tax rates on the choice of occupation, especially on the choice between high reward, high risk or uncongenial activities, and less rewarded but safer or more comfortable pursuits. Swedish studies suggest that the marginal cost of public funds raised by progressive taxation may be as high as £3 to £7 for every £1 raised. Lindbeck, however, attaches just as much importance to everyday incidents suggesting the breakdown of exchange and lapse into self-sufficiency.

Households devote more time to do-it-yourself and repair work, which were traditionally supplied from outside. Dentists drill wells on their summer estates rather than in their patient's teeth. Physicians operate their sailing boards rather than on their patients. Potential entrepreneurs become innovators in tax avoidance.

His most illuminating insight is that the marginal tax wedge acts like a tariff, promoting non-specialised home production rather than specialisation for trade in the open market. The distortions created by the tax wedges are many times more restrictive than most actual tariffs.

Lindbeck's main personal concern is with the moral effects of a Welfare State financed by high marginal tax rates. An example is the diversion of resources to activities – small family restaurants, for example – where tax is difficult to ascertain and collect. The worst aspect is not the misallocation of resources, but the premium on dishonesty. The real depreciation may be in the inherited capital stock of honesty, which will be difficult to restore, and which may be countered by increased scrutiny of private lives by the state.

His nightmare is that the private sector may have to take over the financing of goods previously supplied collectively, such as law and order, basic research and support for the arts and culture; while politicians use their fiscal resources to redistribute the consumption of private household goods. When a majority of the population lives on public funds, as in Sweden, it becomes extremely difficult to cut back on public spending.

There are no easy ways of tackling the problems of the Welfare State; but that is no reason to go back to high top marginal rates

Lindbeck admits that there are no easy ways of tackling these problems while preserving the positive achievements of the Welfare State. He talks about tackling the poverty trap among low income groups, by replacing income related transfer by lump sum transfers – in practice extremely expensive. And he stresses that it is just not possible to help single mothers without increasing the supply of such mothers, actual or purported.

For the long run his main hope is that public expenditure will rise more slowly than GDP – a policy implemented by the Thatcher Government since the early 1980s, but not over its whole term of office.

At least we can refrain from compounding our problems by claiming that high marginal tax rates are good for us. They are not.

Determined to stay in the headlines

Kieran Cooke reports on Britain's ban on broadcast interviews with Irish militants

There was little surprise among the people who live and work in Nationalist areas of West Belfast and Londonderry at yesterday's announcement by Mr Hurd of broadcasting restrictions on certain groups operating in Northern Ireland.

Sinn Fein, the IRA's political wing, is the main target of the new measures. Sinn Fein has a strong following amongst the Nationalist working class community. Mr Gerry Adams, the President of Sinn Fein (the name literally means "we, ourselves"), has been MP for West Belfast since 1983 and at the last election had a majority of 2,500 votes. At present Sinn Fein has 19 district councillors in Northern Ireland and it is estimated that the party commands about 11 per cent of the total vote in the province and has a 35 per cent following within the Nationalist, mainly Roman Catholic, community.

For the most part, Sinn Fein voters do not support the IRA and its violence. But they feel isolated and ignored by those in power and marginalised from the rest of society. Sinn Fein draws its support in areas of Belfast and Londonderry characterised by high unemployment – often more than 70 per cent of the workforce – bad facilities and heavy security.

Sinn Fein representatives are usually locals, born and living within these tightly-knit communities. Typically they are young people with little prospect of finding jobs who see the organisation as a natural outlet for their political frustrations.

When members of Sinn Fein became closely involved in local politics in Northern Ireland in the early 1980s, opening advice centres to deal with housing questions, unemployment benefits, and other social issues, they were often described as "social workers with armalites". Much as the Government would wish it were otherwise, Sinn Fein does command considerable support. It is often the only organisation that people living in deprived areas feel they can turn to for help.

In the Irish Republic considerably tighter restrictions than those announced by Mr Hurd yesterday have been in force for some years. But there the situation is very different. At the last general election in the Republic, Sinn Fein received less than 2 per cent of the vote. In the so-called "hard green" areas of Northern Ireland the new measures could ricochet badly. Many people in those areas have long felt that Mrs Thatcher's Government looks on them only as a security problem. Mrs Thatcher's closing speech to last week's Conservative Party Conference, where Northern Ireland was mentioned only in the context of terrorism and security, only served to reinforce these feelings.

Even among the Unionist community in Northern Ireland, there is the feeling that Mr Hurd's announcement was largely symbolic. The IRA will continue its campaign and there are very real fears of the terrorists mounting what Sir John Hermon, the Chief Constable of the Royal Ulster Constabulary, describes as "a terrifying end to 1988".

For the most part, Sinn Fein voters do not support the IRA and its violence.

Sinn Fein will doubtless strive to make much political mileage out of what it has described as Mr Hurd's repressive measures. Mr Adams, speaking yesterday in what could be his last radio interview in Britain for some considerable time, said that Sinn Fein would not stop its activities: "We do not intend to go away. We will develop alternative ways of information and communication."

LETTERS

EC agricultural policy

From Mr Simon Gourlay.

Sir, Clayton Yeutter and Richard Lyng ("Why it's time to end the hand-wringing," October 12) acknowledge that the EC has taken some steps to reform agricultural policy. But they greatly understate what has been done.

They ignore the unremitting price pressure which, for example on cereals, has reduced support levels by 25 per cent in real terms over five years. And they consistently overlook the effect of milk quotas which have cut the EC dairy herd by about five million cows since 1983 – equivalent to half the US herd.

Proper account must be taken at the mid-term review in the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt) of the actions already taken by the EC to curb farm production and of the impact of these actions on both domestic producers and world markets. Further measures may be required, but time and care will be necessary to find the most constructive approach.

The main objectives of EC farm policy have been to secure food suppliers and to provide a degree of stability for an industry which is of major importance to rural areas and the economy. Clearly, concern for the environment is now another important factor. Neither this nor the original objectives of EC farm policy will be met by leaving everything entirely to the free play of market forces. In this country the likely result would be even more intensive farming in some areas, and dereliction in others.

I suggest that the emphasis in the Gatt negotiations should be on finding ways and means to secure more orderly international trade. This will require disciplines on production in the EC, in the US and elsewhere, but the form that the discipline takes should be left for each country or group of countries to determine for itself.

Simon Gourlay,
President,
The National Farmers' Union,
Agriculture House, SW1

A way to index-link pensions

From Mr Giles Keating.

Sir, Mr Colbran (Letters, October 13) believes that "pensioners must continue to rely on discretion to some extent for their increases," even though discretion has in the past been used to make massive cuts in the real value of company pensions. He argues that even by buying UK government index-linked stocks, a pension fund cannot guarantee index-linking "because it would have no knowledge of either the terms or availability of such stock at any time in the future."

Yet there is no guarantee of the terms or availability of *any* kind of asset in the future. In particular, the future availability of long-term conventional UK government gilts on any scale is increasingly doubtful, while the future supply of index-linked gilts seems less threatened. Pension funds make extensive use of conventional gilts to finance the nominal payments that they currently promise to pensioners.

The question mark over the future supply of conventional UK government debt arises because the Government is set to repay some £10bn or more of its debt annually for years to come.

The Government, which appears to have greater faith than the market in its own determination to reduce inflation, is likely to take advantage of these repayments to reduce the outstanding proportion of conventional debt, and raise the proportion of index-linked issues. This will reduce future government funding costs if inflation is reduced.

And even now, the future supply of index-linked debt is in a sense better assured than that of conventional debt. The reason is that the longest index-linked debt issues extend to a significantly longer maturity (the year 2024) that the longest conventionals (which run to 2017, with a real risk of earlier redemption). So pension funds can use UK government debt to guarantee index-linked liabilities further into the future than they can nominal liabilities.

On top of all this, the pension funds could prudently finance a proportion of their index-linked liabilities through equities, which of course tend to out-perform retail prices in the long term. The UK Government, and even private companies, would probably respond to an increase in demand from pension funds for index-linked assets by issuing even more.

But perhaps the idea that a market movement in asset prices might affect behaviour is unacceptable to an actuarial profession that uses its own assessment of asset values in preference to market prices.

Giles Keating,
Credit Suisse First Boston,
2a Great Titchfield Street, W1

Distinguishing differences

From Mr James Ogilvy-Webb.

Sir, Samuel Brittan complains that "the Government cannot distinguish between genuine market forces and just giving in to commercial pressures," ("Sad omens for fifth TV channel, October 10).

I can't either. Can you?

James Ogilvy-Webb,
3 Rokeby House,
Lambs Conduit Street, WC1

Equality of opportunity for black youngsters on training schemes

From Mr H. Ouseley.

Sir, David Quarmby (Letters, October 14) rightly expresses J. Sainsbury's concern about the lack of black youngsters on their Youth Training Scheme (YTS).

Instead of focusing on why, over the past decade, the large private sector employers have failed abysmally to offer young black people access to their prestigious training schemes, he goes on to highlight Sainsbury's successful track record of employing large numbers of black and other ethnic minority workers.

Sainsbury's determination to recruit more black people from the local communities in which they operate is commendable but it is important to know how many of those workers will be in senior, managerial and supervisory positions as opposed to being concentrated in the workforce as packers, deliverers, cleaners and check-out operatives.

H. Ouseley,
Chief Executive,
Inner London Education Authority,
County Hall, SE1

From Mr Tony Pritchard and Mr Terry Bruce.

Sir, With reference to your article on black youngsters and the YTS ("Big company training schemes 'show racial bias by employers'," October 6), you may be interested to hear of our experience as consultants to a group of 10 major companies operating employer-led YTS programmes in the Birmingham and Solihull area.

These companies, which cover a range of industries, are committed to increasing the number of young Asian and Afro-Caribbean people training with them and are encouraged and helped by the Training Agency, formerly the Manpower Services Commission.

We have been working as a project team for this group since January, supported by the careers service, Birmingham Community Relations Council, the Commission for Racial Equality and others. The main aim is to attract more young black employees to these companies and to find ways of demonstrating that they are welcome and will receive fair treatment. Many practices to achieve real equality of opportunity in their training schemes have been identified and put into effect.

Whilst we believe that the problem of under-representation needs to be aired, we are concerned that the report referred to in your article, from the Birmingham-based Youth Employment & Training Resource Unit, could be counter-productive if it persuaded black youngsters and their parents that they were not welcome on employer-led YTS programmes. Our experience has convinced us that this is far from true.

Most large companies are aware that school leavers – regardless of race, sex or disability – are a precious resource. They should be actively encouraged to apply to those companies operating high-quality training.

Tony Pritchard
and Terry Bruce,
10 Company Working Party,
Blacknell Building,
PO Box 41, Birmingham

FINANCIAL TIMES
Thursday October 20 1988

Modi empire threatened by feud

David Housego examines the dispute upsetting Indian businessmen

Families are condemned to squabble among themselves, believed Ivy Compton-Burnett, the English novelist who made her lifetime's work the study of their fortunes.

The well-known Indian families who dominate the country's industry have until now been surprisingly successful in keeping their quarrels to themselves. Birlas, Mafatlals, Goenkas and Singhanias have fallen out over management, shareholdings and the division of assets. But they have kept their disputes away from the public eye.

Hence the disapproval currently felt within India's business establishment for the Modi family who have allowed their dirty linen to spill on the boardroom floor, before the gaze of the financial institutions, and then into the courtroom.

The courts have now appointed an interim chairman to Modi Rubber, the tyre manufacturer and cash cow of the group, after two younger scions of the family sought to oust an uncle in a boardroom coup. Because Modi Rubber has major holdings in other group subsidiaries the battle over the chairmanship is part of the wider conflict over control of the group.

Until they were torpedoed from within, the Modis counted themselves as "the fastest growing industrial group in India" moving in the past 10 years to third or fourth within the hierarchy of major houses. Sales have grown fivefold from about Rs3bn ($208m) in 1976 to about Rs15bn this year.

From a base in sugar, vegetable oils and textiles the group has expanded into tyres, artificial fibres, office automation, chemicals, steel and cement, signing more technical collaboration agreements with foreign partners than probably any other Indian concern.

Among others, the Modi group has joint ventures with Rank Xerox, Philip Morris, Blue Circle Industries, Olivetti and Lurgi of West Germany.

Opinions are divided on how much damage the feud has caused. A merchant banker in Bombay says: "The Modis are a bad name. Very few bankers would touch them until the trouble dies down."

B. K. Modi: dynamic entrepreneur

Mr B. K. Modi, who runs Modi Xerox and Modi Rubber and who, as the most dynamic entrepreneur within the family, has the most to lose from its ebbing reputation, claims, however, that "the dispute has not interfered in the working of the group which has been better in the first six months of this year than in the same period last year."

But Mr K. N. Modi, the patriarch of the family who has been displaced from the chairmanship of Modi Rubber by Mr B. K. Modi, points out: "If we don't come to an understanding and sort out the problem amongst ourselves you know the consequences. Things may deteriorate."

In almost no other country do families have such a strong grip on the management of major industrial companies as they do in India. Casting an eye down the list of India's major private-sector concerns reveals that most are family run – even though the shareholdings are more widely spread.

The Modis are, however, still thought of as pushy newcomers by the older industrial dynasties. They have a style of their own which is most visible in their high-profile practice of putting the Modi prefix before all their ventures: Modi Rubber, Modi Xerox and Modi Carpets, for example. They are philanthropists who surround their factories with schools, housing, hospitals and recreation centres.

These hallmarks of the Modi name were stamped on it by Gujar Mal Modi who died in 1976 having built up the family industries. He believed in education and hard work, sending his children to Western universities and ensuring they were up at 6am and back home by 11pm – even after they were married.

It is his five sons, best known by their initials, who have done most to carry the group into new areas – cement, steel, cigarettes, artifical textiles, electronics and office automation. They have achieved this through setting up greenfield plants based on foreign technological collaboration and in which the foreign partner often has as much as 40 per cent of the equity.

Kedar Nath Modi, around whom the storm now rages, comes into the picture as the half brother of Gujar Mal who took over the chairmanship of the group on the latter's death. It is a matter of dispute whether this post was meant to be honorific or carry managerial responsibilities. But K. N. Modi busied himself more with political lobbying than he did with day-to-day management.

His three sons have direct responsibility for only two companies.

The conflict pitches the five sons of Gujar Mal against K. N. and his three sons. It seems to have erupted over jealousies on the K. N. side arising from the fact that as the group rapidly expanded they were getting less of the pie.

K. N. Modi now wants management control of the group's companies to be split in an "equitable" way. "Each side would get its share of the high profit, average profit and loss making companies", he argues.

But B. K. Modi, the most vociferous spokesman of the other branch of the family, says management control should lie where it is today. That would mean that K. N.'s immediate relatives would end up with little more than Modi Alkalis, Modi Champion and a share in Modi Industries, the original family concern.

Although the case of Modi Rubber is now before the courts, both sides have lobbied intensively within the Administration. K. N.'s strength is that this is turf he knows well. What the Government says will determine the attitude of the financial institutions who have such a large stake within the group.

Common sense would suggest an early compromise. But the difficulty of disentangling the complicated cross-shareholdings that have accompanied the group's expansion is that share sales would involve heavy tax payments.

Meanwhile bankers believe that the group will lose out on new industrial licences and have difficulty in raising funds while the quarrel goes on. The financial institutions, worried by the future, are also increasing their stake and putting more nominees on the board of Modi companies.

As one distinguished Indian commentator has said, the quarrel is like the Indian fable of the two cats and the monkey. The cats call in the monkey to decide on how to divide their food between them. But the monkey runs off with the food.

Suicide car bomber kills 7 Israeli troops

By Andrew Whitley in Jerusalem

SEVEN Israeli soldiers were killed yesterday when a suicide car bomber crashed his vehicle into an army minibus travelling on the Lebanese side of the border at Metulla. An Israeli Army spokesman said eight other soldiers were injured, one very seriously, as well as two Lebanese women.

Israeli military sources said the bomber approached in a Toyota car and detonated the explosives at the same time as a convoy of six army vehicles and a transit van bunched together some 300 metres from the border fence on their way into Israel.

A pro-Iranian guerrilla group, Islamic Resistance, claimed responsibility for the bomb attack, which is likely to inspire calls in Israel for swift retaliation. It was the heaviest casualty toll suffered by the Israeli Army in a single incident since the Israeli forces completed their withdrawal from most of Lebanon in 1985.

The incident comes less than two weeks before the Israeli election and during a campaign which has been focusing on the country's relations with its Arab neighbours and the fate of the occupied West Bank and Gaza Strip.

A left-wing Arab-Jewish party, the Progressive List for Peace (PLP), announced yesterday that two of its parliamentarians recently met a senior Palestine Liberation Organisation delegation. The announcement said they had agreed on a joint statement over the Arab/Israeli dispute which, the party said, went further than the PLO has hitherto gone in recognising the Jewish state.

In a separate development, Labour Party officials said they were awaiting a possible statement from Jordan's King Hussein which could boost the party's electoral chances. The two major political blocs, headed by Labour and the right-wing Likud of Prime Minister Yitzhak Shamir, are running neck-and-neck in public opinion polls.

Labour's hopes that King Hussein might break his recent silence and publicly endorse negotiations with a Labour-led Israeli government after the elections, are reported to stem from secret talks, held in recent days, with Jordanian officials.

Mr Shimon Peres, the Labour leader, is evidently anxious to rebut accusations that his campaign platform has been undermined by King Hussein's decision to pass the responsibility for the occupied territories to the PLO. However, there was no word yesterday from Jordan, and it was not clear what the King could usefully say in the light of his July 31 decision to disengage from the West Bank.

On Monday, Mr Peres and Mr Yitzhak Rabin, the Defence Minister, injected the only potentially new element into the campaign with a conditional offer to hold local elections in the West Bank and Gaza Strip, to allow Palestinians to choose their own representatives for peace talks with Israel. But the proposal was attacked by Likud and received a dusty response from the Palestinians themselves.

Mr Shamir is, meanwhile, moving quickly to take electoral advantage of the Supreme Court's upholding of a ban on the participation in the election of Rabbi Meir Kahane's neo-fascist Kach party. Kach had been expected to win up to four seats in the Knesset, seats which could prove vital to Likud's chances of leading the next government.

Irish groups face UK broadcasting curb

By Charles Hodgson in London

THE BRITISH Government yesterday introduced new restrictions on the broadcasting of television or radio interviews with representatives of Northern Ireland terrorist groups or their sympathisers.

Mr Douglas Hurd, the Home Secretary, said they would apply to paramilitary organisations proscribed in the UK, such as the Irish Republican Army, the Irish National Liberation Army and the Ulster Volunteer Force and to Sinn Fein, the IRA's political wing, Republican Sinn Fein and the Ulster Defence Association, which are legal.

However, the curbs do not cover statements made in parliament and have a "more limited effect" during elections. They do not apply to newspaper interviews.

The measures are likely to have greatest effect on Sinn Fein, which has one elected member of the UK Parliament, Mr Gerry Adams, who has not taken his seat, and about 40 local councillors in Northern Ireland.

The curbs, which form the first in a series of planned measures designed to strengthen action against terrorism, were welcomed by Conservative and most Northern Irish MPs.

They were also welcomed in the Irish Republic, which has operated similar restrictions on broadcast appearances since the early 1970s. Dublin is understood to have complained to the British Government in the past over the broadcast of interviews on the BBC and ITV, Britain's independent television authority.

However, the restrictions were attacked by opposition Labour MPs and the broadcasters.

The BBC said last night that the move "set a damaging precedent" and would make its coverage of Northern Ireland affairs incomplete. The corporation added that it had always operated stringent guidelines on the broadcast of interviews with representatives of terrorist organisations.

Mr Adams, the single Sinn Fein MP, said in a BBC radio interview broadcast before the announcement that the Government was trying to pretend that the problem of Northern Ireland did not exist.

Editorial comment, Page 18

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	26	79	Dubrovnik	C	18	64	Malta	S	25	77	Rhodes	S	22	72
Algiers	F	25	77	Edinburgh	C	13	55	Manchester	S	18	64	Rio de J'o	C	26	79
Amsterdam	R	13	55	Faro	F	21	70	Manila	C	30	86	Rome	R	26	79
Athens	R	14	57	Florence	C	20	68	Melbourne	S	17	63	Salzburg	S	20	68
Bahrain	F	35	95	Frankfurt	F	18	64	Mexico City	C	24	75	San Francisco	F	26	79
Bangkok	R	30	86	Funchal	F	22	72	Miami	F	28	82	Seoul	F	23	73
Barcelona	F	20	68	Geneva	C	18	64	Milan	R	17	63	Singapore	R	31	88
Beirut	R	27	81	Gibraltar	F	20	68	Montreal	C	19	66	Stockholm	C	11	51
Belfast	S	15	59	Glasgow	C	14	57	Moscow	C	10	50	Strasbourg	R	13	55
Belgrade	C	19	66	Guernsey	F	15	59	Munich	S	15	59	Sydney	C	31	88
Berlin	C	13	55	Helsinki	C	03	37	Nairobi	C	27	81	Taipei	F	28	82
Biarritz	F	19	66	H. Kong	F	27	81	Naples	F	25	77	Tangier	F	18	64
Bombay	F	30	86	Innsbruck	F	19	66	Nassau	F	30	86	Tel Aviv	F	25	77
Bordeaux	F	19	66	Inverness	C	14	57	New Delhi	F	33	92	Tenerife	S	25	77
Brussels	C	19	66	Islamabad	F	32	89	New York	F	19	66	Tokyo	F	21	70
Budapest	F	17	63	Istanbul	C	19	66	Nice	C	21	70	Toronto	R	11	52
B. Aires	R	22	71	Jakarta	R	33	91	Nicosia	C	26	79	Tunis	-	-	-
Cairo	F	27	81	Jersey	R	16	61	Oporto	F	16	61	Valencia	S	22	72
Cape Town	S	21	70	Jo'burg	C	15	59	Oslo	C	13	55	Venice	C	19	66
Caracas	C	24	75	Lima	C	19	66	Paris	C	21	70	Vienna	F	18	65
Casablanca	F	21	70	Lisbon	C	19	66	Peking	C	17	63	Warsaw	F	12	54
Chicago	C	05	41	London	F	19	66	Prague	C	12	54	Washington	C	12	54
Cologne	C	16	61	Los Angeles	C	26	79	Reykjavik	C	11	52	Zurich	C	15	59
Copenhagen	S	11	52	Luxembourg	F	14	57								
Corfu	F	21	70	Madrid	F	15	59								
Dallas	C	15	59	Majorca	F	22	72								
Dublin	R	14	57	Malaga	S	22	72								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Yugoslavian politics

Continued from Page 1

led by Mr Milosevic, Serbia's powerful and charismatic leader, have called for mass resignations of incompetent officials.

Serbs are expected to continue pressing for the expulsion from the Central Committee of Mr Azim Vlasi, an ethnic Albanian who is considered the political strongman of the province of Kosovo.

Nationalist Serbs have repeatedly accused Mr Vlasi of turning a blind eye to the alleged persecution of Serbs by the ethnic Albanian majority.

But yesterday, in a forceful speech, Mr Vlasi hit back at what he called "the propaganda and political machine", a direct reference to the Serbian media which is now Mr Milosevic's mouthpiece.

In what appears to be a compromise, the Central Committee agreed to set up a special commission which will assess Mr Vlasi's political record as well as those of other Kosovo officials.

British Gas pricing attacked by Monopolies Commission

By Max Wilkinson and Maurice Samuelson in London

BRITISH GAS was condemned by the UK Monopolies Commission yesterday for its high and discriminatory prices to industrial customers.

The commission's report, endorsed yesterday by the Government, said that British Gas's pricing policies represented an abuse of its monopoly position and acted against the public interest.

It proposed that the corporation's licence under the Gas Act (1986) should be changed to bring it under closer control by the Office of Gas Supply (Ofgas) in the industrial market. It also said the company must publish a schedule of industrial prices and that its position as sole purchaser of North Sea gas must be ended.

The commission rejected British Gas's complaint that the changes would contravene the Gas Act under which the corporation was privatised nearly two years ago. Changes should be made even though relatively little time had elapsed since privatisation, the report said.

The report was also unsympathetic to a claim that the measures would reduce British Gas's £290m profit from the industrial market to almost zero.

The report said that, in historic cost terms, the return on assets made by British Gas in the market for uninterruptable supplies of gas was 28.3 per cent last year. If this was profit made by abuse of a monopoly position it was wrong that it should go to British Gas's shareholders, the report said. British Gas's pre-tax profit last year was a little over £1bn.

The commission found that British Gas varied its prices by as much as 10p per therm from a maximum of 34.4p depending on the ability of the customer to turn to alternative fuels and the use to which the gas was put. It noted that industrial gas prices had fallen relatively sluggishly after the decline in oil prices two years ago.

It added:"Despite the difficulties in making price comparisons, and various factors which may affect relative prices, we believe that high UK gas prices are cause for real concern." Its recommendations were intended to bring UK industrial gas prices down relative to those in other EC countries.

The commission also recommended that British Gas should publish much more detailed information about the prices it would charge to potential competitors for use of its pipelines.

The company was also told that it must not charge higher tariffs applicable to the domestic market to companies with several smaller sites.

Lord Young, the Trade and Industry Secretary, said in answer to a Parliamentary question that if British Gas did not agree voluntarily with Ofgas to a change in its licence, he would use his powers under the Fair Trading Act to enforce a change.

New regime, Page 18

Brussels not to backdate bank pacts

Continued from Page 1

ate in foreign markets on the same basis as the enterprises of those countries. Refining the concept in the negative, it said reciprocity did not mean that "all partners must make the same concessions nor even that the Community will insist on concessions from all its partners."

The necessary replacement of certain national import restrictions by Community measures, after 1992, would not result in a higher level of protection than exists at present, the Commission said. It also served notice that reciprocity would be examined in the service sectors of transport, telecommunications and information services.

Reciprocity might even be considered if the Community were ever to agree on common EC rules for takeover bids. "The possibility of including provision for obtaining comparable conditions for Community firms in the non-member country concerned should be considered in cases where a firm from a non-member country is the purchaser," the statement said.

THE LEX COLUMN

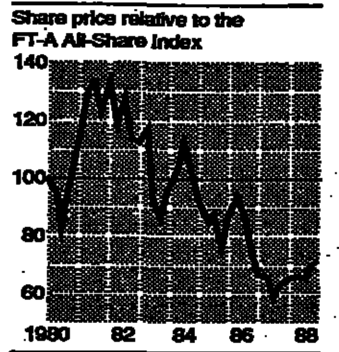
If you see Sid, warn him

If you see Sid, tell him he's been sold a pup. The message so painstakingly drummed into him two years ago was that British Gas was entering a new era freed from Government interference, with a third of its business in the lovely unregulated industrial market. The story went that competition there was free, and that there was scope for growth. Now, the Government has decided that this business is also a monopoly, with the result that British Gas could lose its entire £291m profit from that sector.

The modest 4.5p fall in the shares to 169.5p yesterday shows what happens when the crucial numbers are buried towards the back of a 138 page report. More important, though, it suggests the market is no more prepared to be pushed around by British Gas's cries of agony than was the Monopolies Commission. Away from the negotiating table, British Gas seems less convinced that the damage will be quite so bad as that; and half of its earlier estimate seems more like it. While the company itself may not yet know how big the loss will be, it has every incentive to paint a bleak picture now in order to surprise everyone by its own endeavours later.

At worst, British Gas may have lost the best part of a year's profit growth, and be left an investment rather more closely tied to the oil price. Should it decide to spend £1bn on Lasmo, its earnings outlook will be still flatter. However, as the shares were not allowing for much growth anyway – on a p/e of 7 and a yield of about the same – today's more considered reaction should not be too extreme.

The Government's decision will have sweetened all those customers who were previously being taken to the cleaners by British Gas; the cost is to alienate the investing public. Future buyers of electricity and water shares are duly warned: investing in privatised monopolies is not the safe bet it is cracked up to be; how much money the companies make continues to be, above all, a political matter.



Gold Fields

Consolidated Gold Fields must have been mightily pleased to find its complaints about the distortion of its share register taken seriously by Lord Young – indeed, seriously enough for him to take the highly unusual step of launching an investigation at a time when the outcome of the bid is still very much in the balance. In theory, though, the DTI inquiry could trundle along for months without disturbing hostilities in the slightest. It is difficult to see grounds on which the Takeover Panel would intervene in a case which primarily involves allegations of insider dealing. And although Gold Fields's aim is clearly to increase pressure on the OFT to recommend a Monopolies Commission reference, it is far from obvious that yesterday's move will make the OFT any more willing to come to Gold Fields' rescue.

The company is hoping to argue its case for a reference on grounds of public interest as well as competition – and heaven knows, the former can be interpreted very widely indeed. With such a weight of political content to the arguments, perhaps Gold Fields's point about shareholder equality will indeed carry some influence with the OFT; but it is very unlikely to be the deciding factor.

Smith New Court

Yesterday's Takeover Panel ruling on Smith New Court is perhaps the sharpest rebuke yet handed out to a post-Big Bang investment house for a breach of Chinese walls. The loss of exempt status for three months will be no great hardship in itself; it only bars Smith from making markets in clients who are actually involved in a bid, and it has less than 30 corporate clients in all. But the publicity will not make new corporate business easier to come by, especially if clients are cynical enough to calculate that an adviser trying for dear life to avoid such breaches in future may be less accommodating than others around the Square Mile.

Times are hard in the broking business, and it cannot be hoped that rule-breaking will be stopped entirely. Reversion to a single-capacity jobbing system, for instance, would only solve part of the problem. Corporate advisers will always be tempted to help their clients, as Smith did Ruberoid, when they command blocks of stock in either bidder or target. Well before Big Bang, it was not unknown for merchant banks to call on funds under management to swing a bid either way, and it will doubtless happen again.

Hawker Siddeley

It is tempting to think that yesterday's nearly 2 per cent rise in the Hawker Siddeley share price marks the beginning of a long-awaited re-rating of the company's shares. But in the short term at least, the temptation probably ought to be resisted.

Hawker Siddeley seems almost certain to come off its extended profits plateau once and for all this year, and the next few years should see it comfortably better past performance. And although it is difficult to isolate the impact of recent acquisitions, their contribution to profits is clearly increasing if not exactly at a stunning rate. But with the stock already on a prospective p/e of 10, it is neither cheap enough to attract the parsimonious, nor dynamic enough to merit much of a premium. And for those who want to buy high yield and low risk, Powell Duffryn is just as conservative and yields at least 1½ percentage points more.

Abbey Life

Today's expected announcement of a link-up between Abbey Life and Lloyds Bank will call for fast reactions from the market makers. If, as rumoured, Lloyds is to hand over parts of its financial services side – estate agencies, life business or whatever – it matters a good deal how it is paid. Yesterday's 13p fall in the Abbey price suggests that Lloyds might take a friendly share stake, thus baffling hopes of a bid for Abbey; if it takes cash, the idea of a Lloyds rights issue would recede even further. And depending on how the deal is structured, Lloyds may dispel the suggestion that it is conceding defeat in the whole area of estate agency and endowment mortgages.

SECTION IV

FINANCIAL TIMES SURVEY

In an era of change, the year 1992 will be significant for some lawyers while irrelevant to others. Among solicitors big City firms are prospering, but those who depend on legal aid feel the pinch. The Bar has long-term problems. Many of these developments are irreversible, argues **Marcel Berlins**

The 1992 conundrum

NEVER IN its history has the legal profession been so uncertain about its prospects, so confused about its purpose and so polarised in its views about the future. Behind the veneer of politeness and mutual praise, barristers and solicitors have rarely been so divided; their showdown is still in its early stages. Even within the solicitors' branch a gap is growing, not unlike Britain's "two nations" chasm, that threatens – or promises – irreversible change to the structure and work of the profession.

Within the great drama that will determine the future of the legal profession, the scene entitled "1992" is likely to play a small part. Some lawyers will find it of critical significance; for the majority it will be of minor interest and limited relevance. As one small-firm solicitor remarked: "Never mind 1992; the question for me is whether I can survive 1989."

On the surface, solicitors have never had it so good; but that blanket assessment disguises an increasing, and worrying, polarisation within the profession. At the top, the big City and provincial firms can hardly cope with the demand for their services in the commercial and financial areas of the law. At the same time, many smaller firms with traditional practices relying on individual clients are finding it a struggle to make a living.

The message emerging from a recent conference of solicitors practising in the criminal field was simple and gloomy: unless the government was prepared to raise the level of fees payable to solicitors for criminal legal aid work, large numbers would quit doing it altogether. Already, over the last two years, the exodus from criminal work has been significant; it could become a rush. At the same time, the government is scheming to keep legal aid expenditure under control by, in effect, transferring some of the advice-giving work from solicitors to agencies like the citizens' advice bureaux. And in spite of the house-buying boom, an average solicitor's income from conveyancing is no longer able to subsidise his less profitable activities.

For many, survival means merger. The headlines have concentrated on the mega-deals creating 180-partner City firms like Clifford Chance and, soon, the nationwide six-centre 160-partner Eversheds; but the most frantic amalgamation activity has been among medium-size firms, especially out of London. With the mergers have come a hard look at the profitability of various areas of work, and an inevitable shift towards the more rewarding corporate commercial and financial areas at the expense of the individual in trouble. The solicitor as salesman – of property and of financial services – is taking over from the solicitor as a source of help for the disadvantaged.

The plight of the little solicitor is a world away from the almost embarrassing success of the big City firms. The buoyant national economy, coupled with Big Bang, has sent the graph of solicitors' workload, fees and profits climbing off the page. Last October's crash proved only a minor blip in the inexorable rise. It is no longer a problem of where to find the clients, but rather of how to attract enough good qualified staff to do the work rushing in. Cut-throat competition for future articled clerks has led to starting salaries approaching £20,000 a year in the City.

The poaching of solicitors from other firms – or even of whole departments – is no longer the unimaginable bad manners it was once considered to be; and more and more barristers are being tempted to switch over by the security, huge salaries and perks being offered to change sides.

The Bar, now numbering nearly 6,000, has gained less from the factors that have so dramatically boosted solicitors' business. To some extent barristers have been the main sufferers from the success of the other branch. They are losing out to the solicitors in recruiting young people (they cannot match the immediate financial rewards offered), they are losing their own colleagues who have been tempted to cross the divide and they are losing advice work which previously would have come to the Bar but which, with the increasing size and specialisation of solicitors' firms, is now being handled in-house.

The future of the barristers' monopoly of rights of audience in the higher courts has been the most widely publicised issue, but it is not necessarily the most important. Lord Mackay, the Lord Chancellor, has been shooting delicate arrows into the arena. His deliberately teasing hints can be interpreted to mean virtually anything from radical change to minor tinkering. But even if barristers lose a large slice of their right to plead in the Crown Courts – as recommended by the Marre Committee – the practical effect may not be disastrous. Most solicitors will keep using barristers because it makes sense financially. Quite simply, it is usually cheaper for a solicitor to pay a barrister to spend a day in court than to waste his own more valuable time on criminal work.

But in the longer term, the Bar's difficulties are serious. To some extent barristers have only themselves to blame – not for what they are doing now, but for decades of past complacency, obduracy and lack of foresight. The last few years have seen a strong wind of change, in both attitudes and action. Barristers realise that they cannot sit back and expect the work to come in. They have begun to advertise their chambers and to market themselves. A young barrister's education, professional training and pupillage have been streamlined and improved. Strenuous recruitment to the Bar (on merit, not on whom-you-know) is being accompanied by greater financial support – through loans, grants, awards and bursaries – to cushion the difficult years of entry, and the Bar's leaders accept that they will soon have to pay pupils in the way that solicitors pay articled clerks.

Many of the traditional Spanish customs – like QCs having to appear with a junior barrister and barristers having to be accompanied by a solicitor in court – have been abandoned or are on their way out. Dickensian quills have been replaced by Amstrads.

The will of the Bar to change and adapt is not in doubt. The question is whether or not it has come too late to save it in its present form. The two-tier system, with a strong, independent pool of specialists available to the large body of generalists, is likely to survive. In what form, and what size, is less easy to predict.

Where, in this professional turmoil, does 1992 fit? For the legal profession, there is nothing magical about that date. It is a convenient psychological target, but heralds no great

Continued on Page 2

The Legal Profession

Celia Hampton looks at the changes since Big Bang

Breathtaking growth rate

THE CITY of London's Big Bang was not so much an event in its own right for law firms as a symbol and symptom of a change that had already started. Its moving force was the internationalisation of the financial world, already encouraged by the dismantling of restraints on capital and currency movements.

Big Bang opened London's markets to outsiders and welcomed advisers from abroad. The City could not afford to exclude the world's financial power-houses if it was to keep its place in the global markets, let alone gain the desired ascendancy. It generated a temporary spate of legal work while the City establishments realigned themselves as conglomerates and new arrivals settled in.

The demolition of barriers between trading, stockbroking and advising, which happened on October 27 1986, brought on a surge of equity-related activity – flotations, privatisations, new issues, rights issues, takeover bids and so on. This led to a year-long explosion in legal work, with the lawyers barely able to cope.

Black Monday – 51 weeks later – caused anxiety at the time, but in fact gave lawyers something of a respite. Flotations were scrapped and underwriting became impossible. Continuing liquidity, however, enabled the corporate world to bounce back within a short time, using debt rather than equity. Growth was maintained by the law firms, but at a more manageable speed.

These were developments separate in themselves from the movement for more investor protection, though the two are connected, both conceptually and in practice. The legalism of the Financial Services Act has meant a lot more work for lawyers, but the proportion of growth attributable either to the Big Bang or to the FSA regime is obscured by the overlap. The overall rate of growth, by any measure, has been breathtaking.

Lawyers who practised corporate law in the 1970s became active in the field in the 1980s, and hyperactive after 1986 – a condition they seem profitably doomed to suffer for the time being.

The work was already there, for English law has always been chosen to apply between some borrowers and lenders who have nothing to do with the UK. Work done by London law firms on the international capital markets was not greatly affected by the Big Bang as such. Linklaters & Paines, for instance, who specialise in this work, experienced a decade of steady growth, very temporarily interrupted by Black Monday.

The Big Bang brought a need for this sort of expertise to the domestic corporate scene. The law governing financial and corporate deals did not essentially change. The change for the lawyers has come rather from the new international element, added regulation and new tactics.

Internationalisation calls for knowledge of other countries' laws as well as, increasingly, the law of the European Community. It makes it cost-efficient for the biggest London law firms to open branches across the world. Nowadays the sun never sets on Clifford Chance, with offices in the three major time zones and seven more in between. The practical efficiency of Baker & McKenzie's international partnership has come into its own.

Other law firms form links with leading local lawyers in other countries. It might take a UK intruder years to become a serious match for the local competition, and co-operative arrangements have the advantages of economy, close contact with another legal culture and reciprocal reference of clients.

A new regular feature in company and financial work is regulatory advice. Since the 1930s, it has been the US lawyer's expectation to advise on compliance with administrative rules. The London lawyer used to concentrate his advice on the transaction in hand, mainly its commercial aspects.

Mr Tony Humphrey, a partner in Allen & Overy, notes the substantial increase in regulatory advice as a regular part of the corporate department's now permanent workload.

Continued on page 2

Patricia Wynn Davies on the advantages of smaller or provincial solicitors' firms

'They'll come round in half an hour'

WHY CHOOSE provincial solicitors for "City" work? Mr Cecil Buckett, finance director of Birmingham-based engineering company Newman Tonks, puts the question the other way round: "Why choose a big London operation? We see no advantage in having someone 150 miles away when we can have someone who is cheaper and can offer us all the services of a City firm."

*Mr Buckett instructs 25-part*ner Wragge & Co of Birmingham, one of the 30 or so medium-sized (in London terms) firms in the regions that offer City-type company and commercial services for public and private company clients.

Firms, and clients, say that it is not just a question of the *up to 50 per cent price savings*, compared with London rates which provincial firms believe they can offer their clients. As Mr Fane Vernon, British Dredging chairman, who uses 20-partner Phillips & Buck of Cardiff, points out: "If you want them, they'll come round in half an hour; partners will come and the right partner will come."

Judging from a straw poll of 10 firms, not necessarily the largest, in each of the regions (including, as one firm put it, the "no longer so depressed" North-East) provincial commercial practice involves a good deal more than drafting agreements and servicing the one-man start-up business. And regional firms, along with numerous "small" London ones, seem to have mopped up their fair share of the huge growth of invisible earnings spawned by innovations like the Unlisted Securities Market, the third tier and the Business Expansion Scheme, the surge of venture capital activity and the birth of the management buy-out.

The volume of company and commercial work varies from 20 per cent of turnover in some firms to over 50 per cent in others, with hefty amounts of commercial property work plus tax and litigation on top. But mergers and acquisitions, flotations, other forms of financing, buy-outs and mainstream work for public companies are becoming the staple diet of many a provincial company law partner.

Beauty parades, against City *of London firms* as well as regional competitors, are *de rigueur*.

Few medium-sized firms believe that the market they have cornered will do anything except grow. Black Monday was only "a slight hiccup, a chance to draw breath"

Another helpful trend is the decentralisation of major companies and banks. Wragge & Co and 20-partner Hepworth & Chadwick of Leeds, regional *solicitors for Lloyds and Nat*-West respectively, are among the happy beneficiaries of that development.

Less exclusively commercial and more "all-purpose" firms such as Mills & Reeve Francis, with 37 partners in Norwich andCambridge, are benefiting from the tide of easier money too. "The new markets, BES and the growth of venture capital activity have focused minds on expansion," says Mr Ian Alexander Sinclair, a partner.

The upshot is flotation work – one fully listed and two USM companies in the recent past – and lots of BES prospectuses alongside mainstream company and commercial activities.

Regional characteristics – the presence of merchant banks, stockbrokers and the big eight accountants in Manchester, diversification of the old industries in Leeds, greenfield activity in South Wales – have also contributed to high levels of new business, helped along by the relaxation in solicitors' marketing rules and, most importantly of all, a weakening of the old bias towards the City.

According to Mr Clive Garston of 12-partner Halliwell & Landau, one of the half-dozen commercial firms in Manchester: "All the institutions and major introducers of business are now very keen to instruct local firms."

Provincial firms have all suffered from pro-London leanings in the past. Some, like 50-plus partnership Alsop Wilkinson (the numbers were enhanced by a May merger), with offices *in Liverpool*, Manchester and London, have taken steps to stem the flow to the capital. *"We have always perceived the* drift of work to London," says Mr Derek Morris, a partner. And contrary to popular myth, he says, "in Manchester particularly, we compete not only among ourselves but against London firms as well."

This firm also belongs to the Legal Resources Group (latterly Information Club) of separate but linked commercial law firms, along with Dickinson Dees of Newcastle, Pinsent & Co of Birmingham and London, and Simpson Curtis of Leeds. Eversheds, a planned "Partnership of Partnerships" group has a foot in the capital too, via the London branches of member firms Evershed & Tomkinson of Birmingham and Daynes Hill & Perks of Norwich (other members are Alexander Tatham & Co, Manchester and Broomheads, Sheffield).

Most of these firms are viewed as large by provincial standards; London ones with *fewer than 50 partners* are merely medium-sized. Mr Robert Harman of Travers Smith Braithwaite, one of the smaller firms in the Square Mile most admired by bigger City folk, says that the key to success in this league is not to specialise in everything.

"At our size, you can't. We stick to certain areas and aim to do them well, concentrating on efficiency and speed." Though well-known as official solicitors (with others) to the Stock Exchange and NatWest, the firm's niche is acting for intermediaries. "We benefit from the conflicts of interest," which in turn means plenty of work for brokers and merchant banks."

Further down the London size rankings, Nicholson Graham & Jones, with 16 partners, is distinctly small by City standards. But it does not seem to be a major drawback. Historically, the firm's niche was the entrepreneurial client – Mr Robert Maxwell is one of the better known. As Mr Richard Herbert, a partner, admits, "one or two of our entrepreneurs have come good." Nowadays, with some clients' profits topping £100m a year and big name merchant banks among its customers, it competes much more directly with the City giants.

Medium-sized firms are suitably modest about their achievements. Few claim to have more than a handful of very big public company clients, or that they have any real reputation in transactions with a strong international flavour or in the more sophisticated forms of financing, though *most would buy in the exper*tise if Eurobond deals started coming their way.

Equally, few believe that the market they have cornered will do anything other than continue to grow. Black Monday proved to be only a "slight hiccup" giving, as one put it, "a chance to draw breath."

The main niggle of the out-of-towners, though times are changing, is to do with the attitude of the merchant banks, which tend to steer potential company clients towards the capital. "The City's magic circle," says Sir Derek Bradbeer of 21-partner Wilkinson Maughan in Newcastle, "still exerts a firm grip." That may change. As Sir Derek observes, "convenience for the merchant bank is not necessarily convenience for the client."

The smaller firms have developed the expertise, the partner-power and the back-up by rapid internal expansion or by merger. *A product of a* recent marriage is 27-partner Veale Wasbrough, one of Bristol's three commercial firms.

"The work which the two firms were doing needed greater resources in terms of numbers of people – we had both struggled on occasion – and in terms of experts in specialist areas," explains Mr John Price, a partner.

But attracting new blood is a problem, and just at the moment London firms are doing rather better out of the recruitment crisis in the solicitors' profession.

Ashley Ashwood

Robert Maxwell, after winning damages last March in the High Court for "serious libels" in an unauthorised biography

One way of meeting the twin demands of specialist expertise and the high levels of training needed *to attract (and keep)* able recruits is the device of the linked practice. Wragge & Co is a member of the M5 group of firms along with Mills & Reeve Francis; Addleshaw Sons & Latham, Manchester; Booth& Co, Leeds; Burges Salmon, Bristol and Bond Pearce (Plymouth).

"The principal benefit is the training and back-up, the ability to call on other firms, and an excellent know-how superstructure," says Wragge partner Mr John Crabtree.

Medium-sized firms believe that their strength and their attraction for staff lies in low overheads and hence costs, in the degree of partner contact and *in strong personal rela*tionships with clients. Most agree that too much growth too soon could upset the balance and cause ripples in the market place and in the war zone of recruitment.

"Some firms just throw sheer numbers of partners and assistants at deals," says Mr Herbert of Nicholson Graham & Jones. "That can mean difficulties with co-ordination, unhappy workers and astronomic fees. We have to keep that very much in mind."

The writer is editor of the New Law Journal.

The conundrum of 1992

Continued from Page 1

events. It provides a springboard for the Law Society and the Bar to try to raise the consciousness of their members to the opportunities offered by the changes that 1992 will bring to clients and potential clients; but the results, given the nature of lawyers, are not likely to be dramatic.

English lawyers (from both branches, and whether based in London or in the EC) are already easily the most prominent exporters of legal services within the Community. Their presence in Paris and Brussels especially has been innovative and rewarding. The 18 or so solicitors' firms in Paris have carved out a highly remunerative market in EC and international corporate and financial advice, to the rage of French lawyers who, through their government, are retaliating by trying to restrict foreign lawyers' right to practise – the opposite of the spirit of 1992.

The truth is that there is no single free market for legal services now, and there will not be one in 1992. There are, and will continue to be, a variety of arrangements allowing lawyers – in carefully defined circumstances – to transcend national boundaries and offer their services in other member states. Some of the rules are already in force. Others are under current negotiation, with 1992 as their target for implementation.

A 1977 European Commission Directive allows British lawyers to appear in foreign courts, provided they are accompanied by a local lawyer. That concession has been used only three times. The reciprocal entitlement has also been rarely used – a few Irish advocates have appeared in English courts, as has one Dutch lawyer (to general praise) and French *avocats* defending their errant fishermen.

A 1985 draft directive on the mutual recognition of diplomas and professional qualifications has been more controversial. In its original form, it would have allowed foreign lawyers easy entry into UK professions. For once, British protests were heeded, and the new and stricter version would require the lawyer from *another* member-state to take examinations set by the local professional bodies. The exact details are still being discussed.

Reaching agreement on the rights of establishment of lawyers – allowing lawyers of one member state to set up practice in another – has proved more difficult. In particular, under whose rules and discipline does the lawyer operate – those of his own British professional body's or of the authorities of the state in which he is practising? The irony of 1992 is that, quite possibly, English lawyers wanting to set up elsewhere in the EC will be under more restrictions, not fewer. Far from opening up new frontiers, it might close some.

Whatever its exact detail, the brave new world of 1992 will provide the English legal profession with an opportunity for gradual growth rather than explosion. 1992 will be no revo*lution; that*, for lawyers, is taking place on different fronts.

The illustration by Feliks Topolski is one of two reproduced at £85 as screen prints on behalf of the Development Foundation, National Hospital for Nervous Diseases, Queen Square, London WC1 3BG

A breathtaking growth rate

Continued from Page 1

Advice on Financial Services Act implications features in almost every corporate transaction. An additional factor noticed by Linklaters is the increased involvement of banking regulation in most corporate transactions as a result of Black Monday's replacement of equity by debt as the main source of finance.

The increasing complexity of the transactions themselves and the habits brought into London by the new entrants, especially from the US, have added to the lawyer's load. For instance, the securitisation of debt is now normal rather than exceptional. UK lawyers have readily adapted to any new ideas, but it means that each deal is legally more complicated, while still having to be done within the same time-scale.

London law practice has also been touched by some of the US lawyer's home habits, such as early recourse to litigation. It is now quite normal for someone to go to court during a contested takeover. That was uncommon in 1985.

For many years, all City law firms have been expanding. Their recruitment problem is well publicised, as is their propensity to merge with each other. Firms of all sizes have been affected, though the market leaders in corporate and financial work tend also to be among the largest in size.

Among the slightly smaller firms – yet still huge by European standards with 150 lawyers – Turner Kenneth Brown's experience is illustrative. The corporate department has grown 50 per cent over the past two years. According to

From an overnight typing service to a 24-hour office

Mr David Wightman, the senior partner, this has continued the previous trend but with a rapid acceleration. He sees no prospect of demand falling off.

The firm is looking for about 30 recruits a year. From the use of an overnight typing service at the beginning of the 1980s, the office is now open 24 hours a day, seven days a week.

Allen & Overy has experienced accelerated growth for a good five years, but in the last two years the corporate department has exceeded the norm. In 1987, the number of fee-earners increased overall by about 25 per cent; the corporate department expanded by 40 per cent.

In the last two years, the commercial side of the practice has grown more than 50 per cent. The firm is looking for about 80 recruits a year. A 12-hour working day is not abnormal for lawyers, especially those in the company and banking departments.

Linklaters specialises in company and financial work, with about half its lawyers working in these fields. Big Bang put uncomfortable pressure on the firm to expand its domestic corporate capacity, according to Mr James Wyness, the managing partner. Since Black Monday, this has eased. Over the last two years, the corporate department has grown by about 40 per cent, and the present rate of acceleration is strong but bearable.

A peculiarly encouraging outcome of Big Bang has been Linklaters' welcoming back of some of the lawyers who defected to City institutions at that time. Of course, the firm benefits from their broadened experience and their renewed enthusiasm for private practice, but accomplishing this without resentment is a revealing insight into the business management of a law firm.

LEGAL PROFESSION 3

Prof J Ross Harper on the outlook for Scottish solicitors

No longer on the defensive

MEMBERS OF professions, particularly solicitors, must surely be forgiven if during the past decade they have felt a sense of bewildered paranoia. They have seen the whole concept of the established professions come under attack from the government, the Department of Trade and Industry and the Director of Fair Trading, on the basis that the rules and regulations of the professions are restrictive and anti-competitive.

At the same time, they have watched as the government has sought and in many cases succeeded in encouraging self-regulation in various commercial areas as well as imposing the most complex rules and regulations in respect of investment business. Small wonder then that the government is perceived as encouraging professions to become businesses and businesses to become professions.

Scottish solicitors have possibly viewed these recent developments with greater incomprehension than other professions. Solicitors north of the border have a long tradition of being "men of business," it being recognised that only a proportion of their professional lives was concerned with purely court matters or questions of law and that they also played an active role in the commercial and domestic lives of their clients. Accordingly, solicitors have for many years seen themselves as being in competition with other professional and non-professional advisers.

Nevertheless, the challenges implicit and direct from those in or connected with the legislature have resulted in a fundamental re-appraisal by the solicitors' profession of its role in society.

One of the most recent of these challenges came from the Secretary of State for Scotland through the Scottish Home and Health Department's discussion paper entitled "The Practice of the Solicitor Profession in Scotland." Included in the paper was a proposal that solicitors should be permitted to form partnerships with other professionals, such as accountants, to offer combined professional services under the name of Mixed Disciplinary Practices (or MDPs). The fiercely negative response of the Law Society of Scotland, issued in July, which sought to highlight the key points which distinguish the solicitor profession from others, has assisted in focusing the general re-appraisal process.

As a result it has been rediscovered that the traditional approach of the solicitors was for the benefit of the clients and the public at large and was not a trade barrier. The basis of the profession has been in many ways a precursor of the consumer protection legislation that has dominated the statute books of the past two decades.

In arguing against MDPs, the Law Society has pointed to the fact that professional regulations imposed on solicitors derive from the objectives of retaining the independence of lawyers, the solicitors' vital contribution to the administration of justice, the rights of the clients to demand confidentiality, the availability of legal advice in all areas of the law (even the less attractive and remunerative areas), the clients' freedom of choice, and maintaining financial safeguards, all of which objectives are based on the need to provide practical consumer protection.

The Law Society is expected to respond in the near future to the Department of Trade and Industry's green paper on restrictive practices, which admits that it finds it impossible to evolve a concept dealing with customer and public interests alongside the four stated commercial concepts against which exemptions to the general prohibition against restrictive trade agreements are to be judged.

Notwithstanding, the department's declared intention is to challenge the regulations and controls of the professions in the same context as commercial agreements failing to appreciate that the controls of the professions are of the same character as consumer protection legislation and frequently derive from a statute introduced by parliament.

There are signs that the profession's uncertainty and defensiveness of the last 10 years will shortly be a thing of the past as solicitors have renewed confidence in themselves and their commercial competition from the banks, accountants, brokers and others, who over the last 50 years or more have expanded their operations and services (once the sole preserve of the Scottish solicitor) spending ever more on advertising but no more on consumer protection. More recently, Scottish solicitors, who have always acted as selling agents for their clients' homes, have seen the introduction and growth of the estate agents offering a single style service compared with the variety of services on offer from solicitors.

Small wonder then that despite the groans from all quarters at the massive tomes of regulations issuing from the Financial Services Act, many Scottish solicitors allowed themselves a wry smile at the attempt to enforce on others the concepts of best advice, knowing your client, putting your client first, and personal responsibility, which the profession has always had as part of its own regulations in relation to all aspects of solicitors' services, not just investment advice.

But the challenges from on high and the growth of competition in the service market have brought changes and new concepts. This is perhaps most obvious in the changes in the advertising rules imposed on solicitors. Within three years solicitors have moved from a position where advertising of virtually any description was forbidden to one where only a very few restrictions are imposed on all types of and methods of advertising. It is taking time for solicitors to come to terms with the new, permissive rules but there are signs that some firms are beginning to appreciate the breadth of marketing tools now available to them.

Marketing as a principle of running a lawyer's office, was previously on the back burner and was thought of in terms of client satisfaction and loyalty to the firm. Here again, however, there are signs of rapid change. Whether due to increased competition from within and without the profession or simply awakening commercial awareness, firms are having far greater regard to the presentation of services and applying marketing concepts to the running of their offices.

There has been considerable change in office styles, ranging from the introduction of welcoming shop-front offices, through all types and styles of practice, upwards in size to smart and spacious premises, capable of impressing the largest commercial client, and including the introduction of some of the latest office technology.

All this is a far cry from the dingy lawyer's office beloved of the novelist and film director. Gone, or at least going, too are any remnants of the attitudes of any earlier age when a solicitor might have regarded himself as having some divine right to have clients, and in its place a consciousness that it is not just a service which the client requires but in addition a particular style or service designed to cope with all the clients' needs.

The clients have also presented challenges, not least of which has been an increasing tendency to question the solicitor's advice and actions. Unaccustomed to this, solicitors began to believe that everyone was against them, but have now come to recognise that the client of today is seeking a greater understanding of what is going on than clients of yesteryear.

Many firms are responding by trying to anticipate their clients' anxieties and to offer the necessary information in the form of booklets, etc, before the client has to ask the question.

There is a growing sense of confidence, backed by research work undertaken by the Scottish Consumer Council, that solicitors in Scotland are providing by and large a service which the clients find satisfactory and that Scots Law itself provides a working framework capable of coping with the problems of clients in the 1980s

There is, too, a sense of anticipation of renewing old ties as 1992 approaches, reminding Scots lawyers of the common ties between their legal system and historical base and those of many other members of the European Community.

A recent survey of Scottish legal firms by the Law Society of Scotland has indicated that many envisage expansion over the next 10 years. Early signs of this include a firm of solicitors opening an office in the Falkland Islands

While Scots lawyers are energetically tackling the challenges raised in the 1980s, some problems are still clearly visible. In addition to the misplaced, but threatening, challenges of the Department of Trade and Industry and others which strike at the very core of the profession, these difficulties include the failure adequately to recompense those solicitors acting in the legal aid scheme and the frustration caused to many solicitors arising from the prohibition against them having any rights of audience in the higher Scottish courts.

The adaptability and energy of Scottish solicitors displayed in the 1980s, combined with their renewed self-confidence, may yet enable answers to be found. If not, then the work of the last 10 years will be for nought and the 1990s will see the disappearance of the professions and the arrival of the regulated service industry, tailored to produce maximum profits with minimum effort, based on self-interest and operating within an increasing network of public interest restrictions.

The author is president of the Law Society of Scotland.

Rachel Davies on the prospects in Wales

Cardiff has space for courts

BUSINESS IS booming. That is the message that comes through from urban Welsh lawyers, north and south.

A changing economy and industrial development are taking them beyond the borders of general practice into the specialised realms of tax, company and commercial law. Mining and metallurgy have gone from Wales but are being rapidly replaced by newer, lighter and more varied industries. The Welsh Development Agency and foreign investment are producing results.

In the north, development – mainly in the Chester/Wrexham area – consists largely of electronic and other light industries and office relocation. In the south, German and Japanese companies are investing throughout the area. The Mint and Companies House arrived some time ago, and the Patent Office is on its way. Dockland development, relocation of industry, compulsory purchase, office developments, leisure developments and the consequent influx of accountants, banks and financial institutions, are all contributing to an expansion of commercial practice in the law.

The main opportunities, of course, are going to the larger firms with facilities and partners to cope with expansion and specialisation. In the north the largest is Walker Smith & Way of Chester and Wrexham, with 17 specialising partners, and a growing commercial practice litigating in the Manchester, Liverpool, Birmingham or London High Courts. Little of the work is coming through to the local bar, which continues to concentrate on crime and general practice.

In the south commercial work is coming through to the Cardiff bar, and is welcomed. Mr Phillip Rees, head of Cardiff chambers, considers that the increase of Chancery work justifies a permanent High Court sitting in Cardiff, instead of the fortnightly visit from a deputy judge shared with Bristol and Birmingham.

Mr John Bowen, a senior partner in Morgan Bruce & Hardwicke, Wales's largest firm of solicitors, agrees. He sees Cardiff as a fast-moving commercial centre justifying a permanent Chancery court and a permanent commercial registry. His firm conducts actions all over the UK, but particularly in the High Court, including the Commercial Court.

Four Cardiff firms take commercial work – Morgan Bruce & Hardwicke, Phillips & Buck, Edwards Geldard and Edward Lewis & Co.

Morgan Bruce considers itself on a par with any medium-sized City of London firm, capable of handling every aspect of practice without the need to consult outside firms, or to seek advice from counsel except on highly complicated specialist matters.

The firm's international side is developing. It receives instructions from Tokyo, and from Welsh-based German and Japanese companies; it has a healthy and multilingual overseas property development practice, and is now contemplating a Warsaw office to cope with its Iron Curtain business.

It also contemplates a London office or merger with a smaller London firm, not with the object of joining the battalions of City solicitors, but to be closer to the Stock Exchange and to attract investment to Wales. "We're concentrating on the Welsh economy," says Mr Bowen. The firm has three locations in Cardiff and others in Pontypridd and Swansea, thus stressing its commitment to Wales.

The same commitment can be felt in the attitude of the bar. Mr Gregory Taylor, a barrister, points out that its members are drawn largely from the valleys and other local areas and have a particular understanding of the work and the people, which came manifestly to the fore in the hundreds of actions which arose out of the miners' strike.

Mr Rees's attitude endorses this. He likes to have observed budding barristers through a year of pupillage before deciding whether to accept them as members of chambers. "We prefer not to take London rejects," he says, "but to foster our own indigenous talent." A healthy proportion are Welsh-speaking, capable of meeting any demand for Welsh court hearings, and courts throughout Wales are equipped for two-way translation.

Gloomy forecasts of firms disappearing along with the conveyancing monopoly may yet be proved wrong. In rural areas there has been little effect so far. This may be due to the Welshman's natural suspicion of anyone who has not dealt with his family's affairs for generations; or, more probably, to the licensed conveyancer's preference for the concentrated catchment of a built-up area.

Disappearance of the monopoly seems to have affected conveyancing practice as a whole in the sense that the prospect of competition has led to cutting of costs, increased efficiency and better value for money. Some conveyancing solicitors consider the changes are a good thing – that too many of their brethren were taking the man in the street to the cleaners. There seems, however, to be a general feeling that other lines have to be looked at

Mrs Barbara Rees, a consultant who recently retired as senior partner in David and Roy Thomas, Swansea, sees a positive approach to the loss of conveyancing monopoly as essential. Her firm had a strong conveyancing practice and ran its own building society. Now her consultancy practice is based on the retail industry, probate and general practice. After her retirement, the rest of the firm split. Half remained in general practice, and the other half went into estate agency/conveyancing.

In urban areas conveyancing firms are finding other strengths, and the tendency is to take a commercial line. The switch-over is made easier by the coinciding industrial growth. Far from firms disappearing, their work is increasing, is more varied and is commercially heavier.

Alongside such growth, pleas for a permanent Chancery court and Commercial registry appear too modest.

A standard excuse for delay in the London High Court – lack of court space - could easily and satisfactorily be remedied by creating additional courts in Cardiff. With a flourishing local bar, first-class solicitors, excellent communications, plus floor space at one-third of London prices, it would make an ideal location for five or six or more High Courts.

Cardiff is not a provincial town. It is the cosmopolitan, cultural and commercially live, capital city of a country which, more than 1,000 years ago had comprehensive written laws covering crime, personal injuries, family law, inheritance, women's rights, proprietary rights, immigrants' rights, appointment of the judiciary – and including a code of contract and surety sophisticated enough to form a sound basis of relations in any commercial community.

There is no need to cram extra courts into corners of London when cases from most parts of the UK could be heard as conveniently in Cardiff.

Leo Herzel spotlights key changes in the US

Goodbye to fusty gentility

LARGE CORPORATE law firm practice in America has changed dramatically in the past 25 years. The most important of these changes are the decline in the barriers to entry on religious and racial grounds; the large number of women entering the profession; the sharp increase in the incomes of lawyers in these firms; and the growth in importance of inside corporate law departments.

The decline in religious and racial discrimination in law firms is part of a general trend in American industry and finance. The main causes appear to have their origin in World War II.

After the war, competition in American industry and finance increased sharply due to the pent-up domestic and international demand for US goods and services. A contributing factor was the large social dislocations caused by the War which dislodged the ascendancy from its grip on the economy. Another influence was the shock caused by the recognition of what had been happening in Nazi Europe, which undermined the respectability of religious and racial prejudice.

Women benefited from the same developments, although there was a delay caused mainly by a lack of supply of qualified women. So it took time for women to become adjusted to these opportunities and to become qualified as lawyers.

Despite the increase in the supply of lawyers, caused by the decline in these barriers to entry, and the loss of business to inside corporate law departments, lawyers' incomes in large firms have been going up rapidly.

The most interesting and dramatic example is Wachtell, Lipton, Rosen & Katz in New York which has a highly specialised takeover and bankruptcy practice. The partners in that firm had an estimated average income of $1.4m in 1987. The main causes of these high incomes are the many more hours worked per lawyer and an increase in demand for the legal services performed by large firms. In Wachtell Lipton, for example, the ratio of partners to salaried lawyers is about one-to-one, so the high incomes cannot be explained away as an exploitation of young salaried lawyers.

Discrimination and lower lawyers' incomes had been closely associated. The connecting link was a conspiracy of gentility: don't ruffle my placid life and I won't ruffle yours; and let's keep out anyone who might disturb the peace. Lawyers, particularly partners, usually didn't work very hard. Law firms were reluctant to compete economically either by raising lawyers' salaries or by luring away partners from other firms.

Another important cause of the increase in incomes is the star phenomenon. This is particularly evident in the takeover business. Transactions are very large and the possible profits for bidders and investment bankers are correspondingly large. For the boards and officers of targets in takeovers, the takeover premiums at stake are very high: one of the costs of takeover is usually dismissal.

Success or failure may be determined by very small differences in performance. For the consumers of this type of legal service it appears reasonable not to take even very small avoidable risks; and if a law firm has a reputation for devising ingenious bidding strategies or defences, it seems logical to pay the very high fees asked.

The same phenomenon can be seen in the very high fees and salaries of star performers such as opera singers and professional athletes. Small variations in performance or renown may make the difference between success and failure; and the economic differences between success and failure can be huge.

The increase in the stature of the inside general counsel has changed the relationship between large law firms and clients drastically. Except in crisis situations, it is becoming unusual for the top partners in law firms to have close personal relationships with the chief executive officers of their corporate clients. To do so could be an affront to the general counsel which both the law firm and the chief executive officer wish to avoid.

For similar reasons, it is no longer common for lawyers from large corporate firms to sit on the boards of directors of their large corporate clients. Concern is also heard about the independence of directors, such as lawyers and investment bankers, who provide services to the company. If there is a lawyer on the board now, it is generally the inside general counsel, or perhaps a lawyer whose firm does little or no work for the company. But quite commonly, there is no lawyer at all on the board.

This change in the relationship of law firm and client is far more important than the loss of business caused by the rapid growth of law departments. It is usually quite easy for well-managed law firms to adjust to the loss of business to law departments if they have time. In fact, many law firms prefer to have some such limit on expansion so they can concentrate on the most profitable law business. The growth of corporate law departments gives them a reason to forgo business without taking the risk of losing the client.

Inside general counsels have been another important influence in making law practice much more competitive. It is natural for general counsels to want to reduce dependence on a single supplier of law services. Moreover, general counsels, and inside lawyers who work for them, form close personal relationships with the lawyers from law firms with whom they work.

Because of these relationships, if a young lawyer decides to move to another lawfirm, it is not unusual for him to be able to take some of that business with him. This is a big change from the days when the relationships between law firms and corporate clients were dominated by top partners who were close friends of the chief executive officers. It was much more difficult then for a young lawyer who wanted to move on to take law business away with him.

Lawyers in the large American firms may be missing some important things in life. Competition and hard work are not the only virtues. On the other hand, for this lawyer at least, it would not be a pleasant choice to have to go back to the fusty gentility that used to dominate the profession.

The author is a partner in the Chicago office of Mayer, Brown & Platt.

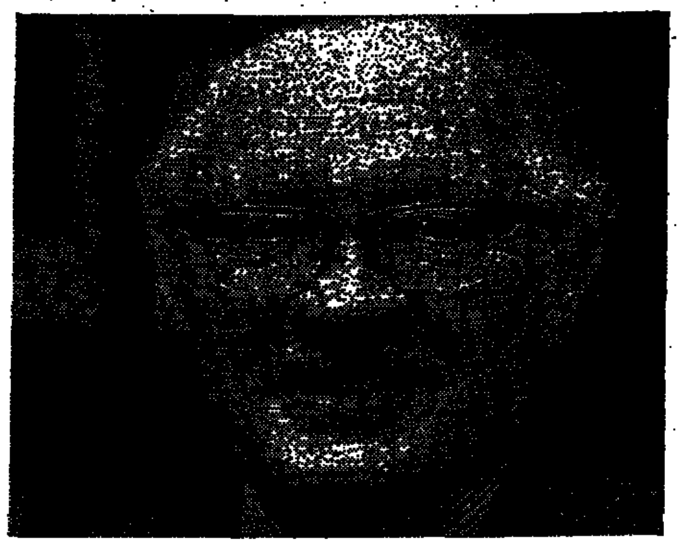
IN-HOUSE LAWYERS

When one client is calling the tunes

AN UNKNOWN but large number of qualified lawyers choose to work for companies rather than enter private practice. Some 2,200 solicitors taking this route regularly renew their practising certificates (licences to do work reserved to solicitors), but beyond that the numbers can only be guessed at. Many more are solicitors working in a purely advisory capacity, and there are probably some 2,000 to 3,000 barristers in company employment.

The range and character of the work to be done by these lawyers are immensely varied. The legal department of a multinational will offer a very different career from a smallish engineering firm needing a single lawyer on its staff. No two jobs are quite alike, even in companies in the same sector, and the company's business is so central a part of the lawyer's work that there are great differences between sectors.

Some legal tasks are much the same as in private practice – conveyancing or drafting contracts, for instance. Others (especially where the work is international) are more like participation in the general business of the company.



Sir David Steel: from company lawyer to chairman

There is an ambivalence in the position of employed lawyers. While they are paid members of the company's staff, they retain their identity as members of a profession. It sounds odd to the uninitiated, but a corporate lawyer will refer to his or her employer as "the client".

Lord Denning said of employed lawyers: "They are regarded by the law as in every respect in the same position as those who practise on their own account. The only difference is that they act for one client only, and not for several clients. They must uphold the same standards of honour and of etiquette. They are subject to the same duties to their client and to the court." *(Alfred Crompton v Customs & Excise (1972) 2 AER 376).*

The ambivalence was uncomfortably illustrated by a recent case commented on by the Law Society. An employed solicitor had engaged the services of an outside barrister on one of the company's legal matters. The company went into liquidation. As barristers cannot enforce their fees, the barrister's bill could not be put in to the liquidator in the normal way. Instead the barrister approached the solicitor personally. Non-payment of a barrister's fees is a matter for individual professional discipline by the Law Society. The solicitor had (in theory at least) to pay the barrister's fees from his own pocket.

The details of this case were not made public, and the facts were unusual. The problem arose from the "public policy" of not letting barristers sue for their fees, but it is a cautionary reminder of the corporate lawyer's dual role in the company's team.

The need to be part of the team is important. Outside lawyers advising companies tend to be brought in on a limited brief, either on a single project or after things have started to go wrong. The in-house lawyer has to be there before detailed formulation of the project, and to make sure that things do not go wrong.

The role is not unlike that of the family lawyer of the last century who advised generally on the client's affairs. The client is less interested in what the law stops him from doing than in how he can lawfully do what he wants to do.

This makes their role rather lonely for some in-house lawyers. They have to make sure the company obeys the Financial Services Act to the letter, makes agreements which will not go straight to the EC Commission or the Office of Fair Trading as anti-competitive, observes environmental rules for dangerous chemicals, and so on. These lawyers can sometimes be seen as a deterrent to commercial enterprise.

A large company will have its own staff of experts. But, while a lawyer employed by a bank is likely to be expert in banking law, he tends to keep more of the generalist approach than he would in private practice – banks also build offices, hire and fire staff and hatch "1992" plans.

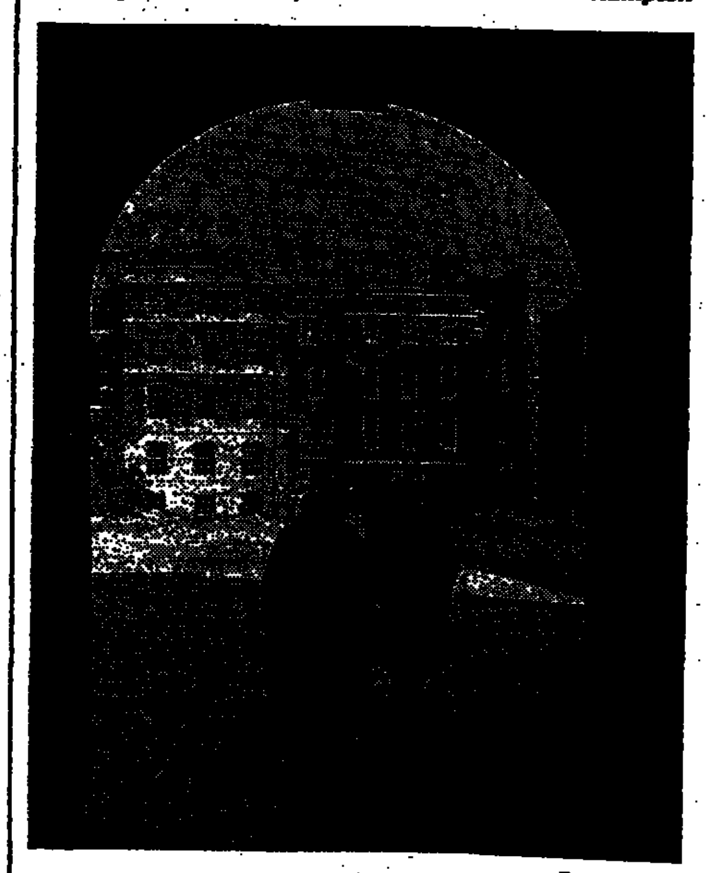
The external lawyer will usually be handed a ready-made problem – a share acquisition, an agreement with a European competitor, going ahead on a new factory. By the time it reaches him it will be a "takeover", "competition" or "planning" problem. The in-house lawyer, on the other hand, has to spot the problem, and its legal nature, as it arises. For this reason, among others, the corporate lawyer needs to know what is going on throughout the company.

Levels of pay are published annually by Chambers & Partners, an employment agency specialising in placing lawyers. Figures for corporate lawyers compare favourably with what a lawyer in private practice can expect, especially at the start. The total remuneration for a legal assistant in industry in the 25-30 age group is about £25,000. In private practice, assistant solicitors only better this if they work in City firms (£25,000-£35,000).

Beyond this, it is not easy to draw comparisons (Chambers's figures do not include solicitors in private practice who are partners). Overall, it would seem that, although corporate lawyers may not hit the heights reached by the most successful in the City or at the specialised Bar, and national averages for industry are as misleading as averages for private practice, the salary offers a sound incentive to opt for a career in industry. Service industries are the best remunerated, followed by oil and banking. Engineering and construction are the least rewarded, with financial services second from the bottom of the league.

Though it is impossible to say how many achieve it, there is also the possibility of moving sideways from the legal department of a company into corporate management. Company secretaryship is a logical destination, although this is rather a special enclave in the management structure. An example, however, for aspiring in-house lawyers was set by Sir David Steel, chairman of British Petroleum from 1975 to 1981. In 1950 he joined the company's legal department as a solicitor.

Celia Hampton



Trevor Humphries

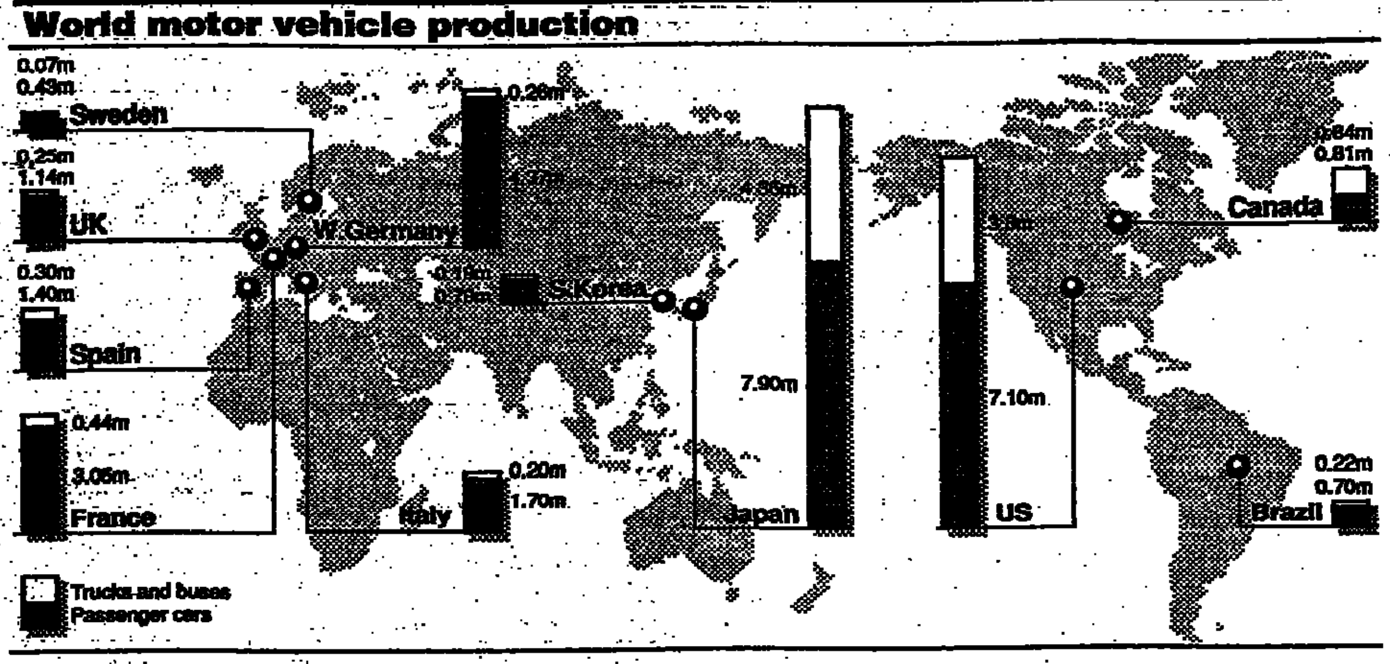
At the end of the day, it's back to chambers in the Temple

SECTION III

FINANCIAL TIMES SURVEY

The globalisation of the world automotive industry is entering a new era as the major producers seek to gain a competitive edge on their rivals by establishing a worldwide sourcing network for vehicles and components, writes Kevin Done, Motor Industry Correspondent. But current sales buoyancy belies the problems of trade and structural adjustments which lie ahead

World motor vehicle production



The Motor Industry

The eye of the storm

THE WEST European motor industry is in ebullient mood. More cars are being sold then ever before as West European markets head for record registrations for a third successive year.

Profits are surging and boosting confidence with car production in Europe on target for a best-ever total of 12.5m units surpassing last year's record of 12.2m units.

After years of being dogged by overcapacity European car makers are preoccupied more with efforts to squeeze out additional vehicles to meet a level of demand, which almost without exception, they have under-estimated.

However the boom is temporarily serving to mask the mounting challenges and pressures which are relentlessly redrawing the structure of the world automotive industry.

In the last 10 years the motor industry has become increasingly global in scope and character, and European producers will face a new scale of competition during the 1990s as vehicle makers from Japan, the US and the newly industrialising countries seek to gain a growing share of the world's most dynamic car market.

According to Professor Garel Rhys, professor of motor industry economics at Cardiff Business School, the motor industry in Europe is currently "in the eye of the storm". Despite the present record demand for new cars in most European markets, the industry will again face the looming threat of overcapacity in the 1990s.

The £610m investment by Nissan, the second largest Japanese automotive group, to build a 200,000 units a year car plant in north-east England, is only the first of several expected moves by the Japanese industry to set up new assembly capacity in Europe.

Toyota, Mitsubishi, Subaru and Suzuki have all made clear that they are studying the feasibility of establishing assembly plants in West Europe, while Honda has already forged a production link with Rover Group in the UK.

The setting up of production capacity in Europe marks a new stage in the global expansion of the Japanese motor industry, and is causing profound disquiet among some European vehicle makers and Governments, as it appears that the days of import restrictions are numbered.

Nissan's move this month to start the export of cars from its UK plant to markets in continental Europe, including France, has already blown up into a running trade row between London and Paris. The UK is championing Nissan's cause and insisting that the cars in question are British-built having reached more than 60 per cent local content and are therefore free to circulate throughout the EC. France insists on classifying the cars as Japanese imports until they have reached a local content level of 80 per cent.

Behind the Anglo-French dispute lies the continuing confusion over framing both an external and an internal trade policy for the European motor industry as part of realising the vision of a single market in Europe in the 1990s. The issue dramatises the tensions existing between those seeking the creation of a "fortress Europe" and those accepting that the battle in tomorrow's motor industry will be fought on a global scale, and that no trade barriers can insulate European producers from the fray.

As part of the development of a global market broad product tastes in terms of size, shape and mechanical specification are converging and the world's vehicle makers are moving increasingly to global sourcing, both of products and components. (It is no longer exceptional that an automotive group such as General Motors of the US should take a car designed and engineered by its subsidiary in Europe, the Opel Kadett/Vauxhall Astra, produce it in South Korea with its 50 per cent owned affiliate Daewoo Motor, and then import it into the US for sale under the Pontiac Le *Mans* badge).

During the 1990s Europe will have to look too at the US as a potential source of a new wave of imports, both from US and Japanese producers, as well as at the rapidly emerging motor industries elsewhere, particularly in South Korea. The potential for trade conflict is not only with Tokyo.

The Japanese automakers are well on their way to establishing a production capacity of more than 2m units a year in North America. Cars have begun running off the assembly lines at several new Japanese plants this year including the latest, Toyota's $800m car assembly plant in Georgetown, Kentucky, which will be capable of producing 200,000 units a day by the early 1990s.

The expansion by the Japanese vehicle makers in the US has already entered a new phase as the components suppliers follow the vehicle makers (OEMs) into the market. Most attention has focused previously on the assembly plants themselves, but they are being followed by a wave of suppliers as the Japanese build a replica of their domestic industry in the US. Several engine plants have already been announced - Toyota has a $300m engine plant under construction as part of its $1.1bn complex in Kentucky - and as the necessary volumes are reached transmissions plants will follow.

According to Mr Harold Poling, vice chairman and chief operating officer of Ford, "Some 150 Japanese auto parts companies are producing goods in the US today, about three times the number in January 1984. And many industry analysts have estimated that the number could grow to 300 by 1990."

Mr Poling suggests that "planned additions to capacity, particularly Japanese plants in North America and Europe as well as new Korean plants, are expected to result in excess worldwide automotive capacity of some 9m units by 1990 - over 20 per more cars and trucks than consumers will demand.

It means there will be manufacturers today that will not be able to survive to the end of the century – if that long – in their present sizes and structures. And the impact will be felt most severely in North America where nearly 6m units of that excess will be aimed."

From the grim days at the beginning of the 1980s the US auto industry has fought back, but the environment today is even more testing than most feared. "Today there are more competitors in the North American market than any of us ever expected," says Mr Robert Stempel, president of General Motors of the US, the world's biggest automotive concern.

At the beginning of the 1980s the industry was talking about "world cars", a few vehicles that would be sold in all parts of the globe, and of the likelihood that the number of manufacturers would decrease. "Today 27 major manufacturers produce more than 40 brand names for the US market and unlike the view in the early 1980s, we now expect more manufacturers, many more, to join us in the world's richest automotive market."

GM itself has been for many the yardstick of how the US automotive industry could cope with the new challengers springing up in the North American market. The jury is still out on whether the mammoth investments undertaken in the last decade have been enough – it has still been losing market share in the US this year – but the next two years should show as the company unleashes more new product than at any time in its 80-year history.

Mr Stempel claims that the transformation of its facilities is almost complete with eight new and 19 refurbished assembly plants up and running. "I don't think any other manufacturing company has ever undertaken such a massive rebuilding programme. It was costly, but we're convinced it will pay off in the long run." As GM's massive building programme winds down it is devoting an increasing share of its capital spending to product programmes, which will account for about 40 per cent of the total in 1988 and 1989 compared with 24 per cent in 1986.

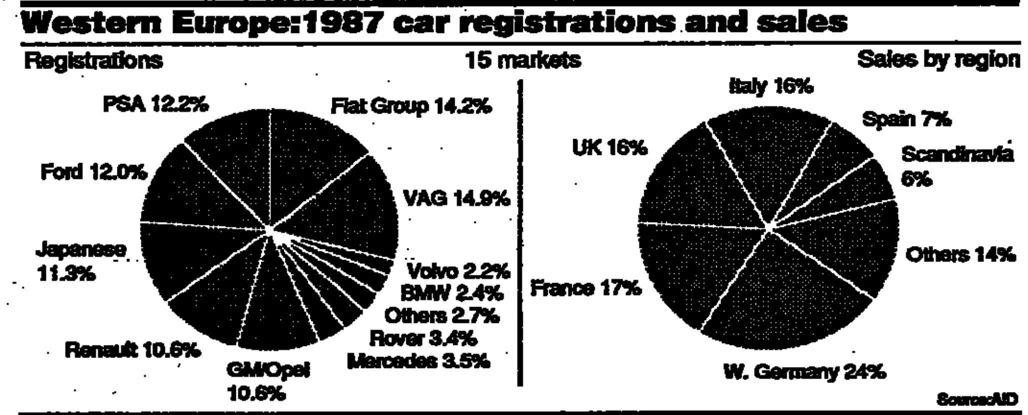
GM's ability to halt its slide in the US car market – its share in the first nine months was down at 36.36 per cent from 37.42 per cent a year ago – will have a crucial impact on the development of the industry worldwide.

GM can look to Europe for hope, where its ambitious investments are already paying off and it is earning record profits, along with most of the volume car makers.

After three record years in West Europe most vehicle makers expect demand to soften next year, although they are becoming used to their predictions proving wrong. Even Mr Jacques Calvet, chairman and chief executive of Peugeot of France, Europe's fastest growing car maker this year, expected a downturn of 3 per cent in 1988, whereas by the end of August European new car sales were again 5 per cent ahead. Peugeot itself is planning for further growth anyway with an ambitious plan to increase capacity in Europe by 20 per cent over the next four years and capture European market leadership from Fiat and Volkswagen by the early 1990s.

CONTENTS

Western Europe: 1987 car registrations and sales



The UK motor industry appears in better shape than for many years past but . . .

Booming home demand sucks in imports

AT FIRST glance the UK motor industry appears to be in better shape than it has been for many years. Supported by a record new car market for the fourth successive year profits both for the vehicle manufacturers and traders are rising strongly.

Production is recovering steadily from the depth of the recession at the beginning of the 1980s, and the gap in terms of productivity and quality between UK-based assembly plants and their continental European competitors has been narrowed.

UK component makers are proving increasingly attractive sources for European car makers seeking more competitive suppliers and a number of UK-based automotive design and engineering consultancies are working on new generations of vehicles and subsystems for many of the world's leading vehicle makers.

The picture should not give rise to unconfined joy, however. Booming demand is sucking in imports at an accelerating rate and the growing motor industry trade deficit is beginning to alarm some industry leaders, who fear the threat of Government intervention to curb demand.

An outbreak of labour unrest earlier this year, which closed production at all Ford's UK plants for two weeks and brought Land Rover assembly to a halt for five weeks has alsoraised uncomfortable new questions about the state of industrial relations in the UK motor industry.

While initial fears of a return to the chaotic conditions at the end of the 1970s have proved ill-founded, it is clear that the relentless push for ever greater productivity and efficiency is making new demands on labour relations. Global competition in the motor industry has never been so fierce, and the pressures and strains are being felt unerringly on the shopfloor in established UK plants.

Jaguar, the UK luxury car maker is facing ominous problems in its efforts to raise productivity further to combat its sharply sagging profitability.

At the same time Ford's decision in the face of bitter inter-union wrangling to tear up its plans to site an automotive electronics plant in the UK and invest in Spain instead, has shown how vulnerable the UK motor industry is to decisions taken beyond its shores. (The lasting impact of this decision could be softened by Ford, however, by its expected move to invest several hundred million pounds in new engine-making facilities at its Bridgend plant in South Wales).

While to the general astonishment of the motor industry and [illegible] ownership of the Rover group has remained in the UK through its takeover by British Aerospace, the ultimate decisions over the future development of most of UK vehicle making are now taken outside Britain.

Specialist UK car makers such as Lotus and Aston Martin have been taken over by General Motors and Ford of the US respectively. In the commercial vehicles sector ownership has also largely passed out of the UK, most recently with the purchase of Leyland Bus by Volvo of Sweden.

Arguably the most important model launch of the year for the UK car market, the new generation Vauxhall Cavalier which goes on sale this month sparking a new battle in the fleet market with the Ford Sierra, is a car designed and engineered by Opel, GM's West German subsidiary, which several years ago took over Vauxhall's design and development capability leaving largely assembly in the UK. In every European car market apart from the UK the car will admit to its German heritage and be known as the Opel Vectra.

At the same time the biggest current boost to volume car assembly in the UK — not to mention a new yardstick for measuring quality and productivity — is being provided by Nissan of Japan with the rapid build-up of production at its Sunderland plant in north-east England.

Austin Rover, still the biggest UK car maker in the UK despite all the cuts and closures, has also had to rely heavily on Japanese support in the shape of Honda to shore up its model development programme.

The Rover 800 executive saloon launched in 1986 was the result of a collaborative effort with Honda — Honda's sister car is the Legend — and Rover again turned to Honda for help to develop a new low-to-medium sized car to replace its existing Maestro and Rover 200 models. (The present Rover 200 itself is basically a mildly re-worked Honda Ballade). Honda's version of the new car, the Concerto, is already on sale in Japan, but Rover's version, code-named the R8, is not expected until next year, one of the most important UK model launches of 1989 along with the new Ford Fiesta.

While much of the UK car sector is already under foreign control, one of the last shining bastions of UK ownership, Jaguar, is also now under threat as predators prepare to swoop, once the UK Government's golden share runs out at the end of 1990. One of the early success stories of privatisation, Jaguar's own profitability and a corresponding share price were supposed to be its best defence when the Government protection was removed.

With profits presently in steep decline in the face of diminishing returns from the crucial US luxury car market and its share price languishing Jaguar currently appears an uncomfortably easy prey for one of the big players in the world auto industry, however. According to a circular last month from Phillips and Drew, the London stockbroker (and part of Union Bank of Switzerland) "Jaguar is now sitting dead in the water come the Golden Share expiry, and the only prop for the shares rests in the now ever more likely prospect of a bid." Any further weakness in the share price is "likely to be seen as an opportunity by a number of auto manufacturers to accumulate strategic positions in the stock," says Mr Stephen Reitman, Phillips and Drew automotive analyst.

Under the leadership of Sir John Egan Jaguar's fortunes have been transformed during the 1980s with sharply rising sales and production. It has enjoyed great success in the US and is still achieving substantial sales advances in European markets and the Far East, especially Japan. Production has risen rapidly from only 13,791 cars in 1980 to 33,437 cars in 1984, when the company was privatised, and to an expected 53,000 units this year.

From a peak in 1985 of £121.3m profits have been falling, however, first slowly to £120.8m in 1986 but since with gathering speed to £97m in 1987 and down this year to around £40m according to recent analysts' forecasts with probably even worse to come in 1989. Profits in the first half of 1988 were more than halved.

Jaguar's dependence on the all-important US luxury car market has left it highly exposed to the sharp fall in the value of the US dollar, and sales volumes in the US have also started to fall. The company is partly compensating for the weaker demand in the US with sharply higher sales elsewhere, but it has still had to lower its ambitious sales targets for 1988 and next year.

At the same time it is having to cut back its capital spending programme, and with the aim of cutting its cost base by £50m a year over the next two to three years Jaguar is aiming to reduce its workforce by 1,200 in the same period, largely through natural wastage.

The plunge in Jaguar profits — caused above all by its exposure to the US dollar - should not be allowed to obscure the otherwise dramatic improvement in UK motor industry profitability, however, following the long dark years of losses or poor returns.

Ford virtually trebled its pre-tax profits in the UK last year, while Vauxhall achieved its first profit since 1978 with a £92.7m turnround from a loss of £61.7m in 1986 to a net profit of £31m. This year Vauxhall is on course to more than triple that result with Mr Paul Tosch, Vauxhall chairman and chief executive, forecasting profits of around £100m.

The picture has been repeated at Peugeot Talbot, the UK subsidiary of the Peugeot group, which last year achieved its best result since being taken over by the French automotive concern from Chrysler of the US in 1978. Peugeot Talbot ended a period of eight years in which it ran up pre-tax losses of £286m, by producing a net profit of £12m, and Peugeot is expecting a net profit from its UK operations of more than £50m this year.

Even Rover Group managed a sharply reduced net loss of £26.9m last year in its best financial performance for a decade after a loss of £899m in 1986 (including extraordinary losses of £430m), and the volume car operations of Austin Rover managed a tiny operating profit of £5.1m. The improvement has continued this year and in the first half Rover made its first interim pre-tax profit since 1979 helped by an operating profit of £17.5m at Austin Rover.

The return to profit has been made possible by the continuing surge in UK new car sales, which has taken all manufacturers by surprise. This year new car sales are expected to reach 2.2m units, setting a record for the fourth successive year. A slight downturn to 2.1m units is forecast by the industry for 1989, but this would still be the second best ever new car market.

According to Professor Garel Rhys, professor of motor industry economics at Cardiff Business School, the underlying trends of economic growth, population development and a still relatively low level of car ownership in the UK suggest that the UK new car market should stay at over 2m units a year until the end of the century and could reach 2.5-2.8m units a year by 1998/99.

In response to the strength of the market UK car production is also growing again, although it is still far below the peak of 1.92m units reached in 1972. It has recovered from the low of 888,000 units in 1982, however, to reach 1.14m units last year and is expected to reach 1.2m units this year and 1.25m units in 1989. But this still leaves the UK in fifth place in the European car production league behind West Germany, France, Italy and Spain.

Peugeot Talbot is more than doubling production at its Ryton, Coventry assembly plant with this year's introduction of two-shift working, and the company could decide next year on a major new investment to increase capacity further in the UK.

Most dramatically Nissan expects to be producing up to 200,000 cars a year at its new £610m plant in north-east England by 1993 having only produced its first car in the UK in 1986.

Production capacity is also expected to rise at Ford and Vauxhall, though much more modestly through steps to remove bottlenecks. With Rover Group planning the closure of one of its Cowley assembly plants in the early 1990s, overall UK car making capacity is set to rise by around 7 per cent by 1991/92 to 1.85m units according to a study made by Cardiff Business School.

Despite higher UK production imported cars captured 56.3 per cent of the UK market in the first nine months of 1988, and UK-built cars have again lost market share sharply this year, not least because of a big jump in Ford's imports from its continental assembly plants.

Kevin Done

Picture by Ashley Ashwood

Mr Paul Tosch, managing director of General Motors' UK subsidiary, Vauxhall, with the new Vauxhall Cavalier/Opel Vectra with which GM plans to recapture lost European fleet car sales.

United Kingdom passenger car registrations

Manufacturer	1987	% Share	1986	% Share	% Change
Ford	580119	28.81	515367	27.38	12.6
Rover Group	301811	14.99	297466	15.80	1.5
GM-Vauxhall-Opel	270778	13.45	284517	15.11	−4.8
Nissan	114243	5.67	109914	5.84	3.9
VW/Audi	108123	5.37	109237	5.80	−1.0
Peugeot/Talbot	101264	5.03	86667	4.60	16.8
Renault	78694	3.91	69261	3.68	13.6
Volvo	70880	3.52	68972	3.66	2.8
Fiat	68576	3.41	61729	3.28	11.1
Citroen	46014	2.29	34427	1.83	33.7
Toyota	38269	1.90	35802	1.90	6.9
BMW	37525	1.86	35898	1.91	4.5
Lada	25294	1.26	20312	1.08	24.5
Honda	24743	1.23	20499	1.09	20.7
Mercedes-Benz	21752	1.08	19987	1.06	8.8
Totals	2013693	100.00	1882474	100.00	7.0
Japanese	225372	11.19	209829	11.15	7.4

Source: SMMT

UK passenger car production

	1987	% share	1986	% share	% change
Rover Group	471,504	41.25	404,454	39.69	16.6
Ford	386,698	33.83	346,257	33.98	11.7
GM/Vauxhall	183,857	16.09	161,857	15.88	13.6
Peugeot/Talbot	45,548	3.99	58,426	5.73	-22.0
Jaguar	47,960	4.20	40,890	4.01	17.3
Others	7,417	0.65	7,078	0.69	4.8
Total	1,142,985	100.00	1,018,962	100.00	12.2

Source: SMMT

PROFILE: ROVER GROUP

A return to profit

AGAINST THE odds Rover Group lives on. Few of the questions about its long-term survival chances have been answered by its stunningly unexpected takeover by British Aerospace, but at least the damaging uncertainty over its future ownership has been removed, for the moment.

Acquisition by a company from outside the motor industry has ensured that there will be no immediately painful period of upheaval and restructuring either for the company itself or for its suppliers and dealers.

Rover Group may today be only the rump of what was once one of the world's biggest vehicle makers, but even after successive waves of plant closures, cuts and disposals, it remains the UK's biggest car producer with a turnover of £3bn, exports of £1bn and a direct workforce of 43,000. It supports indirect employment of two or three times that number in the components supply sector and more than 50,000 jobs in the sales and distribution network.

At the same time the Conservative Government has been able to return one more business to the private sector, without having to face a furore over the selling off British assets, and not least the country's last UK-owned volume car maker, to foreign interests.

Having pumped in £2.98bn to keep the company afloat since becoming majority shareholder in 1975, the Government was willing to pay out another £800m to write off past debts and ensure a little surplus cash in the Rover coffers, before selling its 99.8 per cent stake to BAe for just £150m.

As it turned out such largesse was not necessary, however. In the face of European Commission opposition to such a generous state hand-out, the Government was forced to reduce its cash injection to £547m and the deal was still accepted by BAe.

While the deal has let the Government off the hook, the resolution of the ownership question changes little else. Rover Group remains to all intents and purposes a volume car maker in terms of its model range but without the necessary volume of sales to compete with the big six automotive groups in Europe.

Lacking the necessary financial resources it remains dependent on collaboration with Honda of Japan for its model development programme. The latest fruit of this cooperation will appear next year in the shape of the lower medium sized R8 replacement for the Maestro and the Rover 200. There is still no indication, however, whether Honda is interested in any further model development programmes or whether it will choose to make its own way in Europe in the future, as it has already done with startling success in the US.

As Rover approaches the creation of a single market in Europe, it remains more dependent on its narrow base in its domestic market than any other significant European car maker, and while it has sought to broaden its foreign presence by returning to the US market, it is clearly facing an uphill struggle to win customer acceptance for its Sterling executive saloon in America, where sales have plummetted this year following the launch in February 1987.

Nonetheless there are positive signs that Rover Group's position has finally stabilised. For the first time in a decade it is no longer making losses, and although the pre-tax profit achieved in the first half of 1988 was modest the group's financial position has now been considerably strengthened by the latest injection of state funds. BAe has purchased Rover Group almost debt-free.

While Rover Group is starting to make a modest return, however, most other European car makers are achieving bumper profits buoyed by record new car demand.

Rover appears finally to have arrested the long decline in its market share in the UK, and it is currently enjoying the boost of being a still significant presence in one of the fastest growing car markets in Europe. In the first nine months of the year Austin Rover has held its ground in the booming UK car market increasing its sales volume by 12.4 per cent, while the total market has risen by 11.6 per cent. Its market share has risen marginally to 15.06 per cent from 14.95 per cent.

Last year Rover group's vehicle sales including Land Rover/Range Rover and car derived vans recovered to 518,000 units from the low of 494,000 in 1986 and in the first half of this year vehicle production increased by 14 per cent to 281,000 units.

Mr Graham Day, who took over as Rover Group chairman and chief executive in mid-1986, is clear, however, that the group is chasing profit not volume. He is determined to take Rover up-market in search of bigger margins and away from head-on competition with the big volume car makers in Europe, Fiat, Volkswagen, Peugeot, Ford, General Motors sand Renault.

It is still difficult to see how this will work in practice, however, as Rover still has essentially the model range of a traditional volume car maker, and Mr Day insists that the company is not planning to abandon any segment of the market.

According to Professor Garel Rhys, professor of motor industry economics at Cardiff Business School, closure of the Cowley South plant will cut Rover's present capacity for building 725,000 cars a year by some 225,000 units, but plant improvements at Longbridge and Cowley could leave net capacity at 600,000 units by 1991/92.

Kevin Done

Leo Herzel spotlights key changes in the US

Goodbye to fusty gentility

LARGE CORPORATE law firm practice in America has changed dramatically in the past 25 years. The most important of these changes are the decline in the barriers to entry on religious and racial grounds; the large number of women entering the profession; the sharp increase in the incomes of lawyers in these firms; and the growth in importance of inside corporate law departments.

The decline in religious and racial discrimination in law firms is part of a general trend in American industry and finance. The main causes appear to have their origin in World War II.

After the war, competition in American industry and finance increased sharply due to the pent-up domestic and international demand for US goods and services. A contributing factor was the large social dislocations caused by the War which dislodged the ascendancy from its grip on the economy. Another influence was the shock caused by the recognition of what had been happening in Nazi Europe, which undermined the respectability of religious and racial prejudice.

Women benefited from the same developments, although there was a delay caused mainly by a lack of supply of qualified women. So it took time for women to become adjusted to these opportunities and to become qualified as lawyers.

Despite the increase in the supply of lawyers, caused by the decline in these barriers to entry, and the loss of business to inside corporate law departments, lawyers' incomes in large firms have been going up rapidly.

The most interesting and dramatic example is Wachtell, Lipton, Rosen & Katz in New York which has a highly specialised takeover and bankruptcy practice. The partners in that firm had an estimated average income of $1.4m in 1987. The main causes of these high incomes are the many more hours worked per lawyer and an increase in demand for the legal services performed by large firms. In Wachtell Lipton, for example, the ratio of partners to salaried lawyers is about one-to-one, so the high incomes cannot be explained away as an exploitation of young salaried lawyers.

Discrimination and lower lawyers' incomes had been closely associated. The connecting link was a conspiracy of gentility: don't ruffle my placid life and I won't ruffle yours; and let's keep out anyone who might disturb the peace. Lawyers, particularly partners, usually didn't work very hard. Law firms were reluctant to compete economically either by raising lawyers' salaries or by luring away partners from other firms.

Another important cause of the increase in incomes is the star phenomenon. This is particularly evident in the takeover business. Transactions are very large and the possible profits for bidders and investment bankers are correspondingly large. For the boards and officers of targets in takeovers, the takeover premiums at stake are very high: one of the costs of takeover is usually dismissal.

Success or failure may be determined by very small differences in performance. For the consumers of this type of legal service it appears reasonable not to take even very small avoidable risks; and if a law firm has a reputation for devising ingenious bidding strategies or defences, it seems logical to pay the very high fees asked.

The same phenomenon can be seen in the very high fees and salaries of star performers such as opera singers and professional athletes. Small variations in performance or renown may make the difference between success and failure; and the economic differences between success and failure can be huge.

The increase in the stature of the inside general counsel has changed the relationship between large law firms and clients drastically. Except in crisis situations, it is becoming unusual for the top partners in law firms to have close personal relationships with the chief executive officers of their corporate clients. To do so could be an affront to the general counsel which both the law firm and the chief executive officer wish to avoid.

For similar reasons, it is no longer common for lawyers from large corporate firms to sit on the boards of directors of their large corporate clients. Concern is also heard about the independence of directors, such as lawyers and investment bankers, who provide services to the company. If there is a lawyer on the board now, it is generally the inside general counsel, or perhaps a lawyer whose firm does little or no work for the company. But quite commonly, there is no lawyer at all on the board.

This change in the relationship of law firm and client is far more important than the loss of business caused by the rapid growth of law departments. It is usually quite easy for well-managed law firms to adjust to the loss of business to law departments if they have time. In fact, many law firms prefer to have some such limit on expansion so they can concentrate on the most profitable law business. The growth of corporate law departments gives them a reason to forgo business without taking the risk of losing the client.

Inside general counsels have been another important influence in making law practice much more competitive. It is natural for general counsels to want to reduce dependence on a single supplier of law services. Moreover, general counsels, and inside lawyers who work for them, form close personal relationships with the lawyers from law firms with whom they work.

Because of these relationships, if a young lawyer decides to move to another lawfirm, it is not unusual for him to be able to take some of that business with him. This is a big change from the days when the relationships between law firms and corporate clients were dominated by top partners who were close friends of the chief executive officers. It was much more difficult then for a young lawyer who wanted to move on to take law business away with him.

Lawyers in the large American firms may be missing some important things in life. Competition and hard work are not the only virtues. On the other hand, for this lawyer at least, it would not be a pleasant choice to have to go back to the fusty gentility that used to dominate the profession.

The author is a partner in the Chicago office of Mayer, Brown & Platt.

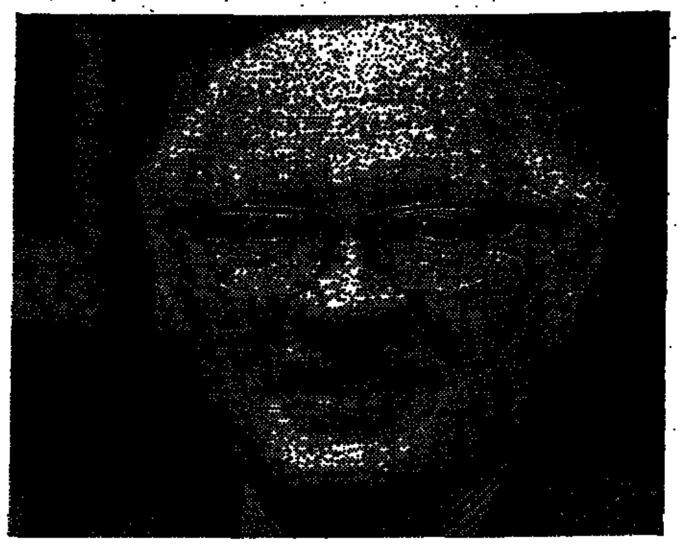
IN-HOUSE LAWYERS

When one client is calling the tunes

AN UNKNOWN but large number of qualified lawyers choose to work for companies rather than enter private practice. Some 2,200 solicitors taking this route regularly renew their practising certificates (licences to do work reserved to solicitors), but beyond that the numbers can only be guessed at. Many more are solicitors working in a purely advisory capacity, and there are probably some 2,000 to 3,000 barristers in company employment.

The range and character of the work to be done by these lawyers are immensely varied. The legal department of a multinational will offer a very different career from a smallish engineering firm needing a single lawyer on its staff. No two jobs are quite alike, even in companies in the same sector, and the company's business is so central a part of the lawyer's work that there are great differences between sectors.

Some legal tasks are much the same as in private practice – conveyancing or drafting contracts, for instance. Others (especially where the work is international) are more like participation in the general business of the company.



Sir David Steel: from company lawyer to chairman

There is an ambivalence in the position of employed lawyers. While they are paid members of the company's staff, they retain their identity as members of a profession. It sounds odd to the uninitiated, but a corporate lawyer will refer to his or her employer as "the client".

Lord Denning said of employed lawyers: "They are regarded by the law as in every respect in the same position as those who practise on their own account. The only difference is that they act for one client only, and not for several clients. They must uphold the same standards of honour and of etiquette. They are subject to the same duties to their client and to the court." *(Alfred Crompton v Customs & Excise (1972) 2 AER 376).*

The ambivalence was uncomfortably illustrated by a recent case commented on by the Law Society. An employed solicitor had engaged the services of an outside barrister on one of the company's legal matters. The company went into liquidation. As barristers cannot enforce their fees, the barrister's bill could not be put in to the liquidator in the normal way. Instead the barrister approached the solicitor personally. Non-payment of a barrister's fees is a matter for individual professional discipline by the Law Society. The solicitor had (in theory at least) to pay the barrister's fees from his own pocket.

The details of this case were not made public, and the facts were unusual. The problem arose from the "public policy" of not letting barristers sue for their fees, but it is a cautionary reminder of the corporate lawyer's dual role in the company's team.

The need to be part of the team is important. Outside lawyers advising companies tend to be brought in on a limited brief, either on a single project or after things have started to go wrong. The in-house lawyer has to be there before detailed formulation of the project, and to make sure that things do not go wrong.

The role is not unlike that of the family lawyer of the last century who advised generally on the client's affairs. The client is less interested in what the law stops him from doing than in how he can lawfully do what he wants to do.

This makes their role rather lonely for some in-house lawyers. They have to make sure the company obeys the Financial Services Act to the letter, makes agreements which will not go straight to the EC Commission or the Office of Fair Trading as anti-competitive, observes environmental rules for dangerous chemicals, and so on. These lawyers can sometimes be seen as a deterrent to commercial enterprise.

A large company will have its own staff of experts. But, while a lawyer employed by a bank is likely to be expert in banking law, he tends to keep more of the generalist approach than he would in private practice – banks also build offices, hire and fire staff and hatch "1992" plans.

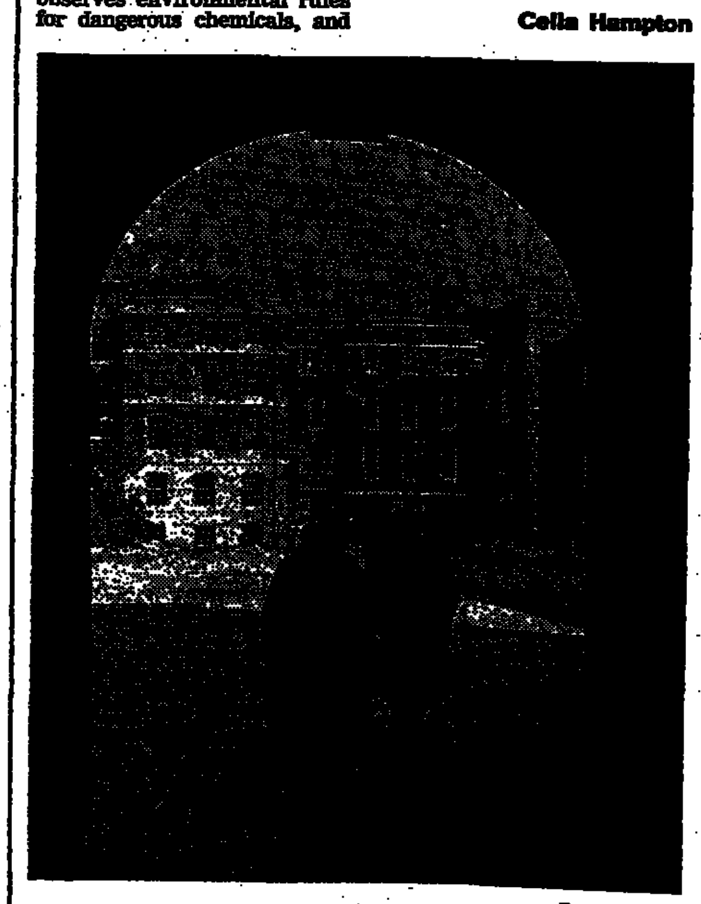
The external lawyer will usually be handed a ready-made problem – a share acquisition, an agreement with a European competitor, going ahead on a new factory. By the time it reaches him it will be a "takeover", "competition" or "planning" problem. The in-house lawyer, on the other hand, has to spot the problem, and its legal nature, as it arises. For this reason, among others, the corporate lawyer needs to know what is going on throughout the company.

Levels of pay are published annually by Chambers & Partners, an employment agency specialising in placing lawyers. Figures for corporate lawyers compare favourably with what a lawyer in private practice can expect, especially at the start. The total remuneration for a legal assistant in industry in the 25-30 age group is about £25,000. In private practice, assistant solicitors only better this if they work in City firms (£25,000-£35,000).

Beyond this, it is not easy to draw comparisons (Chambers's figures do not include solicitors in private practice who are partners). Overall, it would seem that, although corporate lawyers may not hit the heights reached by the most successful in the City or at the specialised Bar, and national averages for industry are as misleading as averages for private practice, the salary offers a sound incentive to opt for a career in industry. Service industries are the best remunerated, followed by oil and banking. Engineering and construction are the least rewarded, with financial services second from the bottom of the league.

Though it is impossible to say how many achieve it, there is also the possibility of moving sideways from the legal department of a company into corporate management. Company secretaryship is a logical destination, although this is rather a special enclave in the management structure. An example, however, for aspiring in-house lawyers was set by Sir David Steel, chairman of British Petroleum from 1975 to 1981. In 1950 he joined the company's legal department as a solicitor.

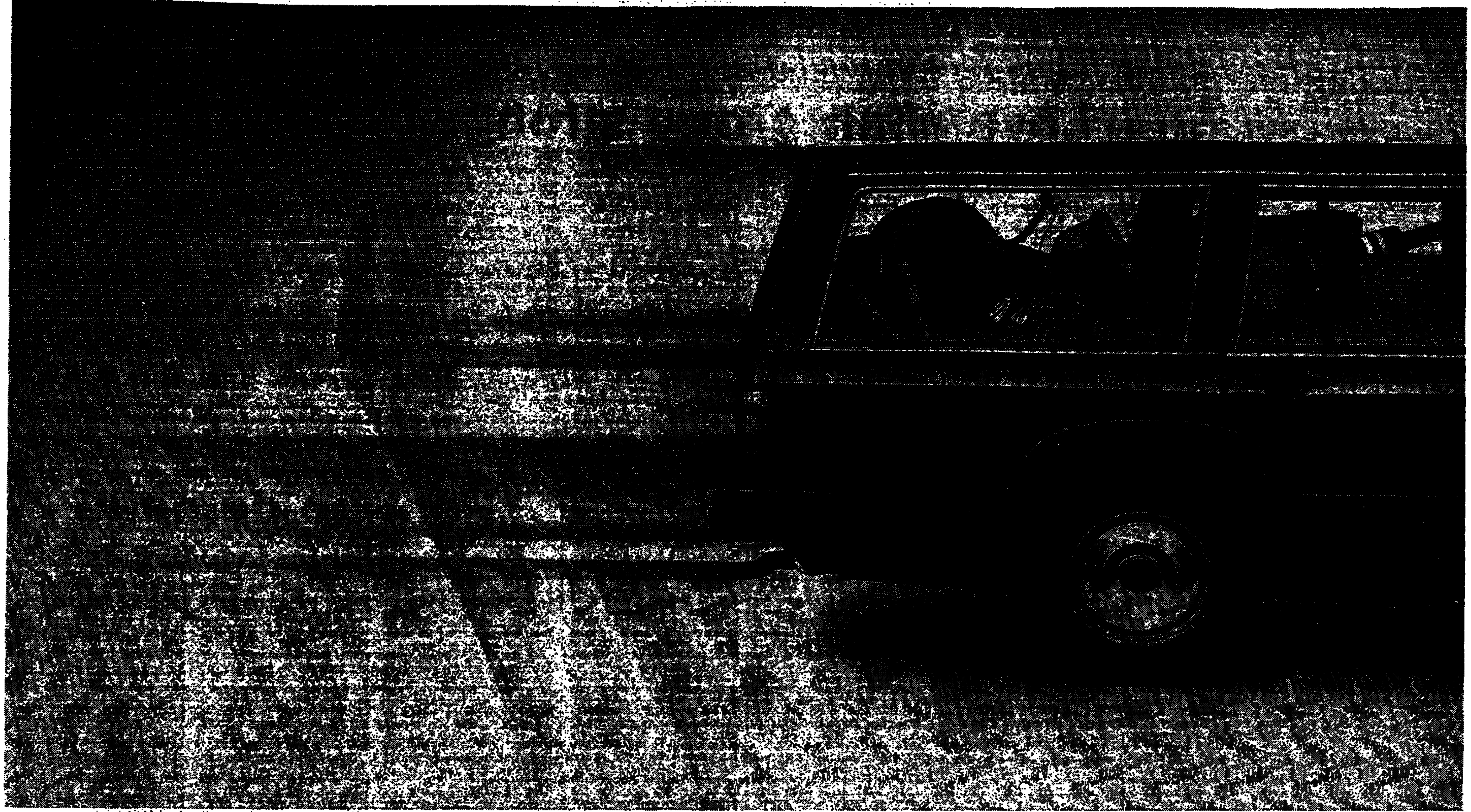
Celia Hampton



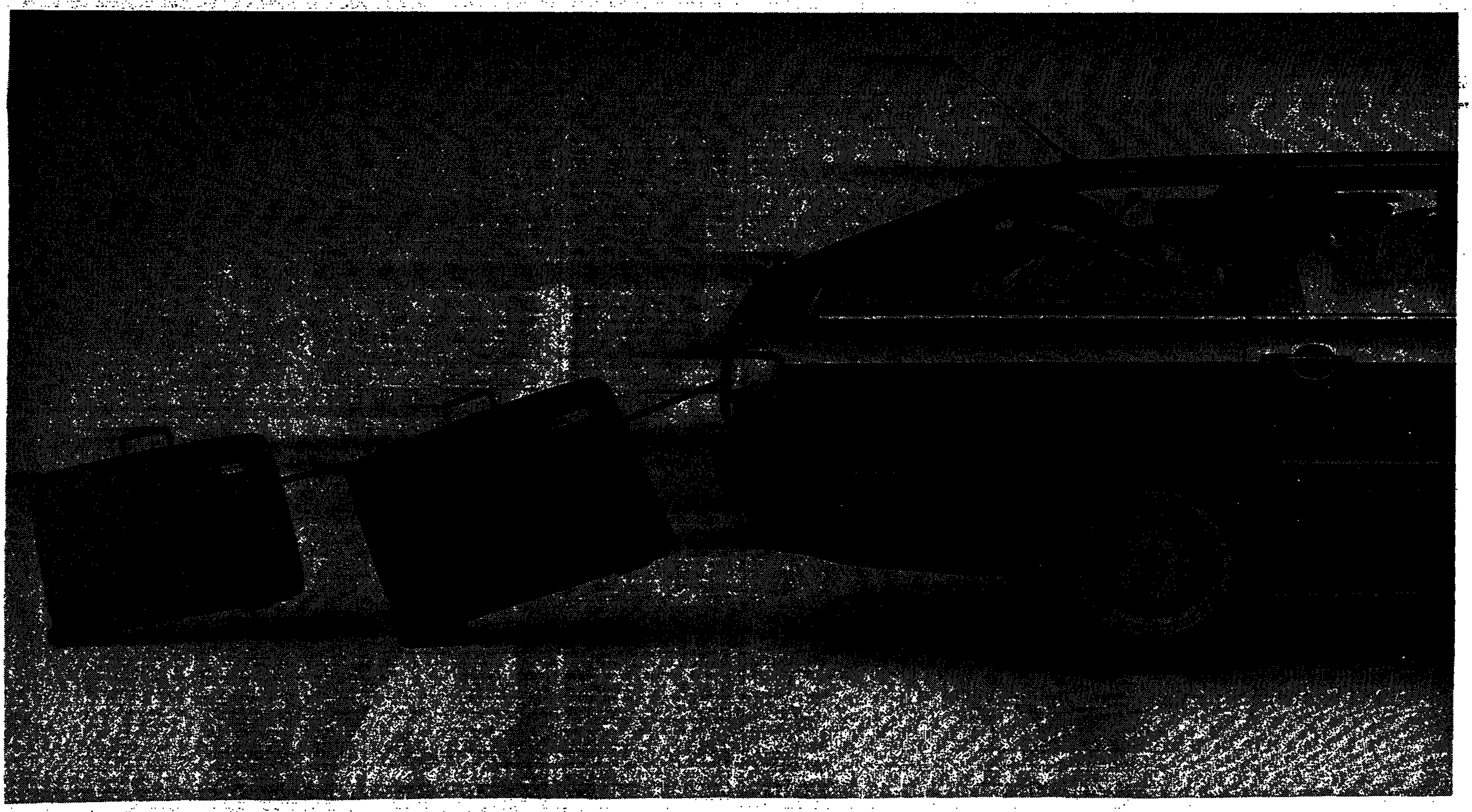
Trevor Humphries

At the end of the day, it's back to chambers in the Temple

هكذا من الأصل



HOW VOLVO LEAVE AUDI TRAILING BEHIND.



Compare, if you will, the Volvo 740 Estate, and Audi 100 Avant. As you can see, the Volvo offers considerably more luggage room.

(Maybe there is something to be said for estate cars that are shaped like estate cars.)

But of course, space isn't everything.

In the Volvo, fragile cargoes (porcelain, pets, or passengers) are protected by a rigid steel safety cage, with solid steel bars in all four doors.

You'll also find a high mounted rear brake light, and three rear seat belts.

Appealing? Then take this on board.

At just £13,245, the Volvo costs £558 less than the Audi. So you don't have to be loaded to buy one.

To: Volvo, Springfield House, Princess Street, Bristol BS3 4EF. For a brochure call 0800 400 430 free, or post the coupon. 75/77-05-F-41.

Mr/Mrs/Miss ____________

Address ____________

Postcode ________ Tel: ________

THE VOLVO 740 ESTATE FROM £13,245.

THE VOLVO 740 AND 760 ESTATES. PRICES FROM £13,245 TO £23,620 INCLUDING CAR TAX AND VAT (EXCLUDING STANDARD NATIONAL DELIVERY CHARGE £165, INCLUDING VAT). PRICES CORRECT AT TIME OF GOING TO PRESS. FOR CUSTOMER INFORMATION TELEPHONE: IPSWICH (0473) 270270.

Italy's car sales are heading for yet another record

Love affair grows stronger

THESE ARE heady days in the Italian car market as one month of peak sales follows another and the nation's consumers seem set to make 1988 the third consecutive year of record sales and the first to cross the 2m mark.

Quite apart from the Italians' obvious love affair with the motor car — how else to explain the tolerance for levels of atmospheric and traffic pollution in towns and cities that would be quite unacceptable in other countries — there are good economic and commercial reasons which help to explain the current boom. The economy as a whole is performing very respectably and should follow last year's 3 per cent growth rate with 3.6 per cent this year.

Macro figures also reveal an increase in gross income in 1987 of around 9 per cent which, set against an inflation rate for 1987 of 4.6 per cent, helps explain last year's car sales record of 1,976,541.

It also helps explain how little impact a temporary four per cent increase in VAT rates introduced in August 1987 had on sales of new cars. In fact, the sales trend suffered no demonstrable impact, apparently because some Italians believed that the VAT increase would prove to be permanent (it did not) and others thought that prices would be bound to go up in the new year anyway.

But in 1988 incomes have continued to run ahead of inflation — a survey by Confindustria, the main representative of Italian industry, suggests that earnings in heavy industry may have risen by as much as 13 per cent this year and by 8.8 per cent in the economy as a whole, against an average inflation rate of just under 5 per cent.

Interestingly, the government's economic analysts believe that, short of a major international downturn, the Italian economy is capable of sustaining an average growth rate of 3 per cent a year for the next four years and this could certainly imply new car sales of not greatly below present levels.

The Italian market remains strongly dominated by the Fiat empire which in the first nine months of the year has gripped fractionally below 60 per cent. Add in the tiny manufacturers of Ferrari, Maserati and Innocenti and you have a total Italian produced share of 60.32 per cent, almost exactly the same as the first nine months of last year.

But within that framework there have been at least two significant developments. One is the renaissance of Alfa Romeo which by the end of September had sold 109,426 units or 18,000 and 20 per cent more vehicles than in the first nine months of last year. This success is undoubtedly partly due to demand for the swift luxury saloon the Alfa 164, launched a year ago, but also to renewed demand for the Alfa 33 and 75 models which were once held to be old-fashioned and struggling for life.

The 33's 9-months sales are level pegging with last year's while the 75 has become Italy's ninth best selling motor car with nearly 40,000 models sold. This car did not feature in the best selling top ten last year. Fiat believes that consumer confidence is returning to Alfa Romeo since it joined the Agnelli empire at the beginning of last year while all analysts agree that the range is benefitting from Fiat's marketing power.

This has not been seen to better effect than in the launch of the Tipo whose runaway success in Italy Fiat is now hoping to repeat in other European markets. Since coming to market at the end of January, the Tipo has sold 153,141 copies to snatch third place in the best selling top ten.

The Volkswagen Golf, which was the Tipo's main import target, has suffered an 8,200 sales loss with a nine month total of 78,665. Mr Vittorio Ghidella, head of Fiat Auto, explained in a recent interview that the Tipo sales have been so unexpectedly strong that production reached the maximum level of 1,200 a day only six months after the launch.

Although imports have made virtually no further inroads into the Italian market than they did last year, many marques have been able to push up sales on the back of the overall 8.15 per cent growth in the market by the end of September. The strongest performers include Audi which has nearly doubled its sale to 33,706 units, Peugeot Talbot with a 22 per cent increase to 75,144 (4.5 per cent of the market) and Seat whose sales have risen 15 per cent to 55,253.

However, the leading importer remains Renault whose sales have dipped by 308 units to 123,385 (7.4 per cent market share) followed by Volkswagen, down nearly 5,000 to 107,014 and Ford which is up 1,500 to 62,760.

John Wyles

WEST EUROPEAN NEW CAR REGISTRATIONS
January-August 1988

	Volume (Units)	Volume Change(%)	Share (%) Jan-Aug 88	Share (%) Jan-Aug 87
TOTAL MARKET	9,011,000	+8.4	100.0	100.0
MANUFACTURERS:				
Fiat (incl. Lancia & Alfa Romeo)	1,342,000	+7.8	14.9	14.6
Volkswagen (incl. Audi and Seat)	1,297,000	+2.6	14.4	14.8
Peugeot (including Citroen)	1,144,000	+14.2	12.7	11.7
Ford	1,047,000	+1.5	11.6	12.1
General Motors (Opel, Vauxhall)	954,000	+3.3	10.6	10.8
Renault	901,000	+1.6	10.0	10.4
Mercedes-Benz	306,000	+2.1	3.4	3.5
Austin Rover	326,000	+8.4	3.6	3.5
Nissan	269,000	+8.3	3.0	2.9
Toyota	242,000	+2.5	2.7	2.8
BMW	242,000	+17.7	2.7	2.4
Volvo	185,000	+1.3	2.1	2.1
Total Japanese	1,360,000	+5.5	11.2	11.2
MARKETS:				
West Germany	1,901,000	-2.6	21.1	22.8
Italy	1,518,000	+8.4	16.8	16.4
United Kingdom	1,636,000	+12.1	18.2	17.1
France	1,416,000	+6.1	15.7	15.6
Spain	723,000	+15.1	8.0	7.4

Source : Industry estimates

PROFILE: VITTORIO GHIDELLA

A man of instinct

THE DESIGN may be excellent, the costs feasible and the market prospects exciting, but when it comes to deciding whether or not to go ahead with a new car model Vittorio Ghidella relies above all on "feeling". In the last decade, the managing director of Fiat Auto's instinct has clearly served him well, benevolently bestowing such commercial hits as the Fiat Uno, the Lancia Thema and, just recently, the Fiat Tipo.

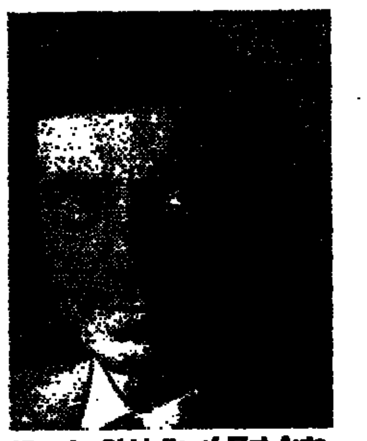
"In the end, it is a sense of things to be changed and things to be done," says the 57-year-old manager who runs the company which rings up close to 60 per cent of the diversified Fiat group's sales and 64 per cent of operating profits, which last year reached L3,104bn.

In order to exercise this talent, Ghidella constantly supervises the planning and testing of new models, putting them through their paces for lengthy periods to satisfy himself as far as is possible that the new bearer of the Fiat, Lancia or Alfa Romeo badge can maintain his reputation for a "golden touch".

It is, of course, one of life's perfect symmetries that puts a motor car enthusiast at the helm of Europe's current auto market leader, and gives a motor racing enthusiast, as Ghidella also is, top responsibility for the Ferrari formula one racing team. Ghidella says that the emotional commitment he made early in life had something to do with the motor car representing the height of technological advancement for his generation. After working for a time as an oil products salesman, the young Ghidella concluded that a mechanical engineering degree would best enable him to indulge his interests. With this safely achieved, he joined Fiat at the age of 24 — feeling, he says, "a bit like a soldier in the army."

More than 30 years on, Ghidella is now regarded by none other than Cesare Romiti, the Fiat group managing director, as a "complete man". In his recently published book, Romiti says that his colleague has now revealed himself to be "a great manager, a major industrialist, an excellent company leader who knows how to discuss not only planning and production but also commercial, administrative and financial matters".

Avvocato Gianni Agnelli, the Fiat president, has also declared his conviction that Ghidella is rather more than a car maker by nominating him to succeed Romiti at some future date which he recently indicated could be as much as six years hence. It was the Avvocato who brought him back to Fiat in 1978 after a 15-year absence in which Ghidella had worked himself up to the top job in ballbearing manufacturer Riv Skf's Italian operations.



Vittorio Ghidella of Fiat Auto

Initially, Agnelli wanted him to go to the US to sort out Fiat Allis, the struggling earth-moving joint venture with Allis Chalmers. Within a few months, however, Agnelli was on the phone to Chicago offering him the management of Fiat Auto. "It was a complete surprise. I had been expecting to continue my international career. But sometime afterwards, the Avvocato said to me that the car business is like a drug, you have to keep taking it to be happy".

His arrival coincided with the opening of a searing period in Fiat's history; its production constantly halted by strikes, near anarchy in its factories and its finances close to ruin. In the following years, the harshest medicines were administered in the form of redundancies and cost cuts after a victorious battle had been fought against the unions.

The company's strategy since 1980 has been to replace the maximum number of people by the most effective machinery. Looking ahead to the 1990's Ghidella believes that the fully automated car factory is close at hand since the only remaining technological leap to be accomplished is in automating the more intricate assembly operations.

The benefits of the Romiti-Ghidella cure show up in the operating transformation of Fiat Auto from a loss of L254.5bn in 1981 to a profit of L1,986bn last year. But the recovery process has also been greatly helped by five years of continuous growth in Italy which has been fuelling record car sales in Italy since 1986. Ghidella says that Fiat has kept its capacity increases to a minimum, but robotics and "enormous flexibility" has enabled the company to boost production from 1.3m units six years ago to close to 2m units a year.

While an easy, relaxed plain speaker, Ghidella has much of the reserve and modesty which is common to Piemontese. Not for him the windy theorising which gusts more strongly the further south you travel in Italy. He has nothing as grand as a management philosophy, he says, but there are certain principles he cleaves to. One is that "a manager must know what he is doing", another that he should recognise when he is operating "at an important level of risk" and a third is that "you should never believe you can win everything."

Apart from his instinct for what makes a good motor car, he believes that his other useful qualities are a meticulous approach to planning, a cool head and sound nerves. He might also have added the Piemontese weakness for workaholism which he has been able to indulge in the last couple of years having taken on the added responsibilities of Alfa Romeo and Ferrari racing.

With the help of a L3,500bn investment programme, Alfa development is now well underway. Ghidella says that productivity at the company's two plants near Naples and Milan is now comparable to that of other quality car manufacturers and that the Alfa division of Alfa Lancia, which lost around L270bn in the year before Fiat took it over, will this year make a profit.

Ferrari racing may be rather more of a poisoned chalice. The team is a quite extraordinary repository of Italian hopes and fears and its failure to win a world championship this decade is weighing heavily on the national psyche. The death in August of the legendary founder, Enzo Ferrari, has now left Fiat with clear responsibility for the racing team which Ghidella himself is assuming. The commitment, he says, is proving to be "a very heavy one" but he recognises that the need to improve Ferrari's fortunes is very important for the Fiat image in Italy.

Unfortunately for Ferrari, Vittorio Ghidella cannot usefully test its new racing car as he can new models for the Fiat group. But somehow it will be surprising if in the next three years his attention to detail, his proven management skills and the Ghidella "golden touch" do not deliver the world championship which Italy craves.

John Wyles

EASTERN EUROPE

Pent-up demand

EAST GERMANS who ordered a Wartburg or Trabant car in 1973 are only now being told to pick up their new cars. Demand for cars far outstrips production throughout Eastern Europe. But nowhere is the waiting period longer than in East Germany with its enormous pent-up buying power.

At the recent Leipzig trade fair, East Germans thronged around a demonstration model of a "new" Wartburg. Outwardly, it was the same boxy model produced for nearly 20 years. But under the bonnet was a four-cylinder engine instead of the old, whining two-stroke machine which left behind a familiar trail of smoke.

The new engine was in fact the same one which has long powered Volkswagen's Polo model. In a rare inner-German technology transfer, VW turned over to East Germany an engine line which has begun producing Polo engines for the Wartburg and for VW itself. But it was the retail price of the re-engined Wartburg which stunned East Germans. Instead of Marks 22,000 ($12,000) for the two-stroke Wartburg the price was raised to Marks 30,000.

East Germany had 3.6 million cars registered at the end of last year. At 217 cars per 1,000 population, it has the highest level of motorisation in Comecon followed by Czechoslovakia. Typically, half the income of a young East German household goes toward the purchase of a car — new or second hand — and later keeping it on the road.

The high price of cars — the tiny two stroke Trabant costs Marks 10,000 — means that they are seldom scrapped on reaching advanced age but are painstakingly overhauled.

By 1990 production of the Trabant is to be boosted by nearly 30,000 units annually to 175,000 cars while output of the Wartburg is to be raised one-third to 100,000 units. Meanwhile, East Germans who are not prepared to wait 15 years for a new car can try to get a Western relative to buy them a car. The three-cylinder version of the Wartburg is obtainable within two months against payment of DM 9,250 while the Trabant is sold for DM 5,155.

Poland, which has 4.2m cars on the road — the largest number in Eastern Europe, has again chosen Fiat to carry out a $1bn modernisation of its FSO plant in Warsaw.

The contract for the FSO plant has yet to be signed but it is expected to cover retooling as well as the supply of designs and components for a new 1.3 litre car to replace the 125p. Fiat is believed to have put forward a design based on its Brazilian-made car, the Duna, a derivative of the Fiat Uno. Production is expected to be nearly 180,000 units annually.

Last year Fiat signed a $870m contract with POL-MOT, the Polish Foreign Trade Enterprise for the Automotive Industry under which FSM will produce a new Fiat-designed mini to replace the Polski Fiat 126p. This was the tiny car which first rolled off the assembly line in 1973 and brought motoring within the reach of a great many more Poles.

The new model is to be launched in mid 1991 with an initial output of 160,000 cars and parallel production of the 126p. By 1996 only the new model will be produced at the rate of 260,000 annually. As distinct from the earlier Fiat 126 contract, the new contract puts FSM in the position of an exclusive manufacturer and supplier of the car to the Fiat international marketing network. This is to guarantee the full self-financing of the project's hard currency cost estimated at almost $500m. In Czechoslovakia, serial production of the new Skoda Favorit began last August after a trial series of 3,000 cars was turned out. Considerable problems arose according to a report to the government but about 38,000 of the new three-door hatchbacks are to be made by the end of this year.

The old Skoda models are to be made for another 16 months until production of the Favorit reaches 180,000 in 1990.

Romania last year turned out 160,000 Dacia and Olcit cars based respectively on the Renault 12 and a Citroen-licensed model. Some 60 per cent of output was exported, mainly to Eastern Europe but also to third world markets and a sprinkling to Western Europe.

Nearly 1.1m Dacias have been produced over the past two decades and a modernised Dacia 1320 was introduced at the Bucharest International Fair. By far the best-selling Romanian car in the West, though, is the four-wheel drive ARO which was originally designed for the Romanian Army.

Leslie Colitt

Western Europe Japanese car registrations (15 markets)

Manufacturer	1987	% Share	1986	% Share	% Change
Nissan	352810	2.88	338192	2.93	4.3
Toyota	342431	2.79	334049	2.89	2.5
Mazda	234468	1.91	238590	2.07	−1.7
Mitsubishi	149168	1.22	140019	1.21	6.5
Honda	126687	1.03	134222	1.16	−5.6
Suzuki	79040	0.64	65607	0.57	20.5
Subaru	54896	0.45	50561	0.44	8.6
Daihatsu	37116	0.30	36545	0.32	1.6
Isuzu	9791	0.08	7561	0.07	29.5
Unidentified	495	0.00	0	–	–
Totals	1386902	11.31	1345346	11.65	3.1
Western Europe	12261930	100.00	11546583	100.00	6.2

Source: AID

Poised for a build-up

Continued from page 4

Spain. Motor Ibirica is also being drawn into Nissan's world-wide manufacturing programme with the start up of export of components to Nissan Mexico, and, if talks with Ford of Europe are successful, a further 40,000 joint Ford / Nissan 4WD utility vehicles could be coming off the Barcelona assembly lines by 1991.

Consolidating its upmarket ambitions, Nissan has also signed an agreement in Italy with coachbuilder Zagato for the design and assembly of a new $70,000 high performance luxury sports car.

After years of holding back, Toyota is now believed to be actively engaged in a search for a joint venture partner to begin production of passenger cars in Europe. The company has ruled out the option of following Nissan's example by setting up an independent greenfield site, and instead it has been speaking to several producers, including BMW and Fiat, about collaborative potential.

Toyota recently agreed with Volkswagen that Toyota Hilux pickups should be assembled at Volkswagen's under-utilised Hanover plant beginning in 1989. Output is targeted at 7,000 — 8,000 units in the initial year and 15,000 vehicles annually from 1990. One third of the output is to be marketed as Toyota vehicles and the rest will carry the Volkswagen badge. Models will be equipped with VW made engines from 1990.

In addition two further variants of the Hilux are to be supplied in built-up form for sale under the VW badge from next January at an annual rate of 5,000 units.

This tie-up is viewed as Toyota's first tentative step towards a collaborative production base in Europe. It could clearly be followed up by a joint assembly arrangement on specialist car models and Toyota is known to be particularly interested in the large car and performance knowledge of the Audi operation.

Toyota does already have a limited assembly operation in Europe. Since 1971 it has had a 27 per cent stake in the Portuguese firm Salvador Caetano which assembles Toyota utility vehicles including the Landcruiser. These vehicles contain a high European content — Italian engines and Portuguese, Spanish and West German equipment — with export markets including Italy and Spain.

Honda, despite the ending of its reciprocal production of the Honda Legend / Rover 800, is continuing to assemble the Honda Ballade at Rover's Longbridge plant. It expects to produce a total of 3,500 there this year and it is to be joined next year by the Honda Concerto range.

The Japanese company is to supply engines for the new model from its Swindon base and output has been set initially at 5,000 right-hand drive models. The aim is to market some 20,000 units a year in Europe out of a total production rate of 30,000.

So long as its production arrangements with Rover are able to develop in the near future, it is unlikely than Honda will decide to opt for an independent assembly operation in Europe.

Mazda is setting up a new research and development office near Frankfurt, West Germany. Next year it will assume responsibility for product planning in Europe and it will also advise on collaborative opportunities in the run-up to 1992. Recently discussions have been held with Saab-Scania regarding assembly of hatchback variants of Mazda's 626 saloon at the Malmo plant.

Other links in Europe include discussions over the assembly of Mazda 4-wheel drive light utilities by Austrian specialist Steyr-Daimler-Puch and it is reported that Ford's forthcoming generation of small and medium cars for Europe is to draw heavily on Mazda engineering.

Mitsubishi has no production facilities in Europe, but in Portugal Mitsalurgica Duarte Ferreira (MDF) assembles both medium and heavy trucks and vans from Japan. Production capacity at the Tramagal plant is about 3,000 vehicles. More significantly, Mitsubishi has been operating with Daimler-Benz for a number of years. A recent project to produce Mitsubishi's L300 van at a site in Spain has been shelved but the search is on for an alternative location.

This arrangement should both extend Mercedes' range downweight and benefit Mitsubishi by a stronger commercial vehicle presence in Europe, particularly in Spain, France and Italy.

Mitsubishi has also revealed that it is investigating sites in Spain, West Germany and the UK with plans for a car production plant before 1992.

Suzuki has a link with Land Rover in Spain from where it exports the 4-wheel drive Santana to various European markets. From 1990 4-wheel drive output is to be doubled with the addition of 24,000 Vitara models per year and a decision is to be taken next year on whether to set up a European plant for the production of 120,000 cars per year. It has been suggested that Land Rover of the UK might sell its 31 per cent stake in the Spanish operation to Suzuki.

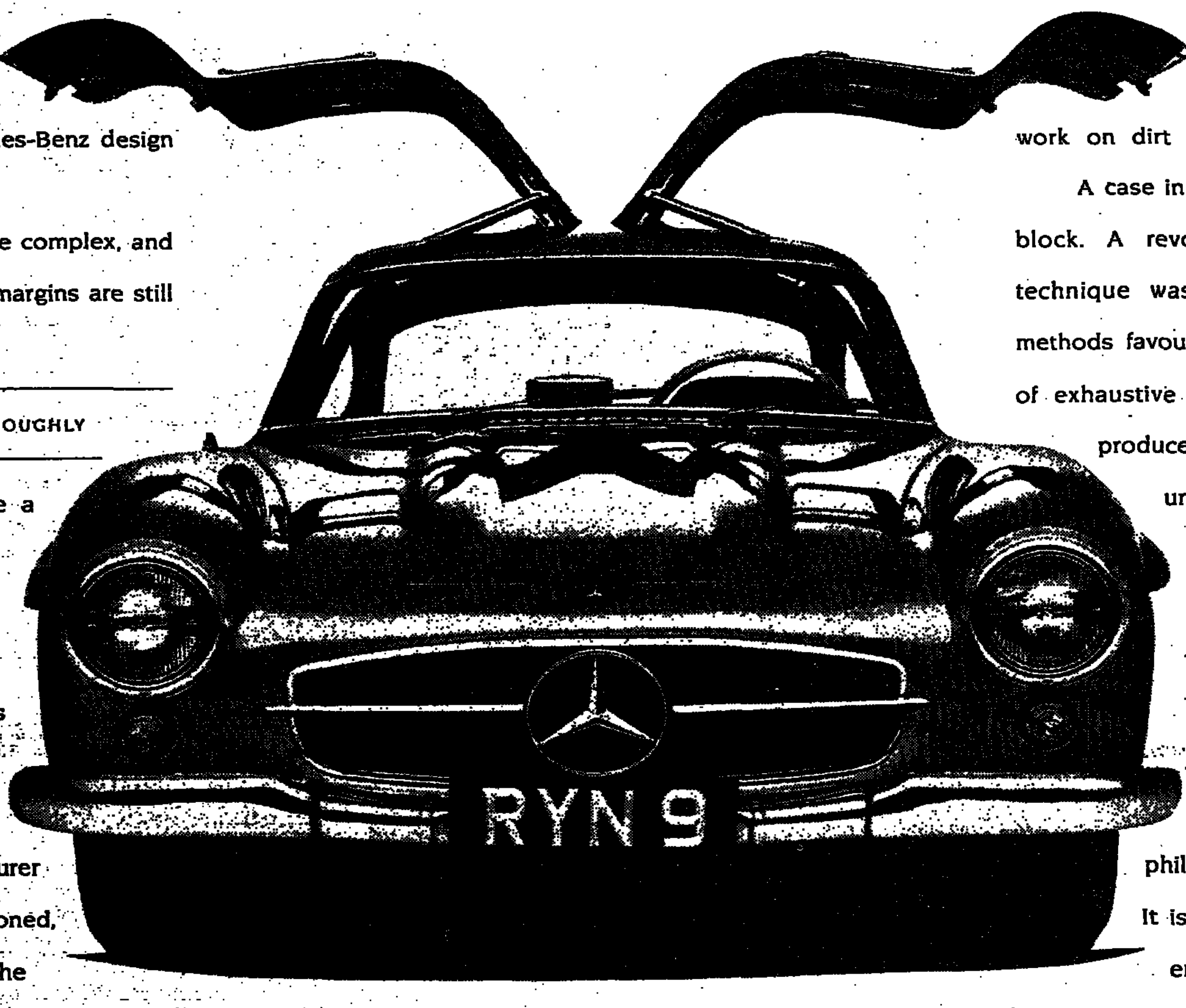
Fuji is preparing to invest £10mn in the conversion of a manufacturing facility at Angers, in Western France. Formerly owned by International Harvester, it is planned to produce 30,000 Subaru 4-wheel drive cars per year on the site with first sales scheduled by early 1993. To meet government minima of 80 per cent local content, Renault componentry may be installed. In the face of a cool reaction to the proposal by the French Government, alternative locations in Spain and Portugal have also come under scrutiny.

Isuzu's presence in Europe is closely linked to its relationship with General Motors. As well as production of light vans at the IBC plant in Luton, UK, the company has agreed to supply the powertrain to Lotus for its forthcoming Elan model and it also supplies diesel engines to GM's Spanish assembly plant. There are suggestions that the 4-wheel drive Isuzu Trooper range may in future be assembled in the UK.

Daihatsu maintains component supply deals with Innocenti in Italy, as well as in Greece and Portugal but with an eye on 1992 the company recently agreed with Italian specialist Bertone to assemble up to 4,000 of its 4-wheel drive Rocky series.

Ian Robertson

Mercedes-Benz don't build cars the way they used to



THEY BUILD THEM BETTER

Look back as far as you care to. Back to the very first motor car, and you will find the name 'Benz' stamped on it. It's a grip on motoring innovation the company has never relaxed. In the '50's, Mercedes-Benz introduced the 300SL, shown here, the world's first fuel-injected car. Thirty-three years ago. And virtually every example of this famous Gullwing car is still in running order. The reason is as simple as the cars are complex. Its radical engine was married to just as radical a chassis, and it became an instant classic. At its unveiling it merely reconfirmed the margin of Mercedes-Benz design and engineering superiority.

IN THE FOREFRONT OF EXCELLENCE.

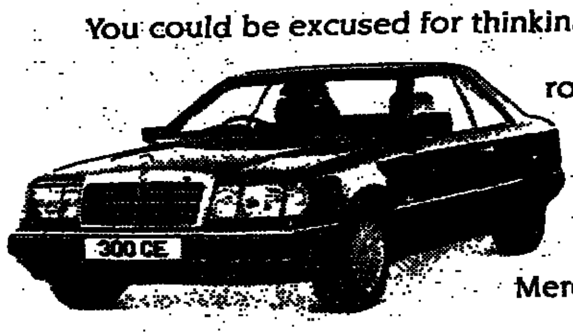
Today, the cars are even more complex, and those design and quality control margins are still there – and just as wide as ever.

THEY CHECK THEM MORE THOROUGHLY

It takes 7 years to produce a quality controller at Mercedes-Benz. Seven years, minimum, of assembly line experience before promotion to the Quality Assurance elite is considered. And there are 5310 inspectors, more for each vehicle produced than any other manufacturer permits. Their authority is unquestioned, their demands uncompromising. The production line moves no more quickly than the quality control inspectors allow. No matter how minor the fault, the entire production line will be halted if it is not rectified. It is the toughest production regime there is.

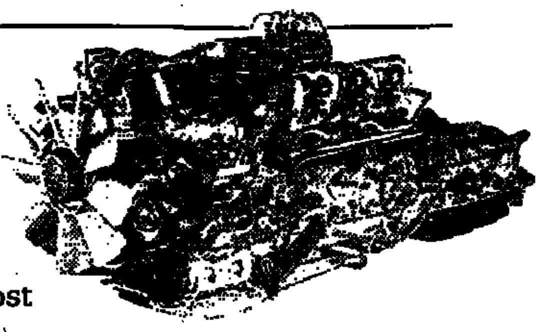
THEY RELY ON CRAFTSMEN

You could be excused for thinking, these days, that robotics has taken over the industry. Not so at Mercedes-Benz where the skills and seasoned discrimination of 50,000 craftsmen complement mechanical precision. Robots work more quickly and to a higher degree of accuracy than is humanly possible. But that is only half the story. There is no substitute for the eye of the craftsman. Choosing the right grain of wood; selecting and matching the fine leather hides; ensuring every important body weld is smooth enough for the paint shop: none of these tasks can be entrusted to a mere robot.



TOMORROW'S CLASSIC?

THEY BUILD LONGER-LASTING ENGINES



THE WORLD'S MOST ADVANCED LIGHT ALLOY V-8.

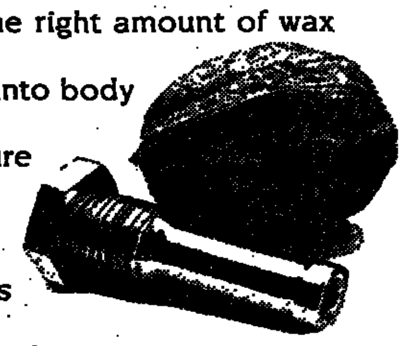
Today's exemplary Mercedes-Benz engines incorporate some of the most advanced powerplant technology in production. In four, five, six or eight cylinder configurations there are none more mechanically refined or trustworthy. Durability testing, to destruction, over years of development, has forged petrol and diesel plants of unmatched reliability and smoothness. Every Mercedes-Benz engine brings to its customer a heritage of literally millions of miles of punishing work on dirt roads, motorways and test beds.

A case in point is the light-alloy V-8 engine block. A revolutionary low pressure casting technique was chosen over more traditional methods favoured by other manufacturers. Years of exhaustive research and development have produced a non-ferrous alloy block of uniform density, with silicon crystal cylinder linings, that matches the strength and longevity of cast iron – but is up to 40lbs lighter.

THEY LEAVE NO STONE UNTURNED

The Mercedes-Benz production philosophy tolerates no compromise. It is an approach to car building that embraces every single discipline. Thoroughness and quality control vigilance, above all else, ensure that every car is fit and ready to satisfy the most discriminating customer.

A small example: even when a computer has decided that exactly the right amount of wax solution has been injected into body section cavities to ensure anti-corrosion protection, an inspector double-checks the wax application by inserting a specially designed endoscope into the most seemingly inaccessible crevices. And only Mercedes-Benz, surely, uses ground walnut husk powder and oil as a mild abrasive with which to clean and polish the interior of newly machined gearbox casings.



NOT YOUR CONVENTIONAL NUT AND BOLT.

Undeniably, today's Mercedes-Benz is indeed a more complex car, an even more thoroughly engineered and innovatively designed car, than its predecessors, but it is also reassuringly safer, more practical, less demanding to own and easier to drive, than ever before.

ENGINEERED LIKE NO OTHER CAR IN THE WORLD.

The two top manufacturers stage a recovery

A French renaissance

IT HAS been a golden year for the French car industry. Sales have been buoyant and profits have been flowing in the coffers of the car manufacturers.

New registrations this year are expected to top last year's record of 2,105,000 cars and rise to around 2,150,000 or perhaps even more. France's two big car manufacturers will both report strong profits with the private Peugeot group forecasting net earnings of at least FFr6.7bn and probably more, while the state-owned Renault group will confirm its financial recovery with net profits of more than FFr6bn.

It is a dramatic contrast to the situation of barely four or five years ago. The French car industry was then on the edge of a precipice. The private Peugeot group was struggling to avoid going bankrupt and Renault was swimming in a sea of red ink, providing the French government, its sole shareholder, with a monumental industrial headache.

Peugeot first led the way with a Draconian restructuring of its Peugeot and Citroen workforce and the integration and modernisation of its industrial plants. The launch of highly successful new models from the Peugeot 205 supermini to the Citroen BX, followed by the more recent Peugeot 309 and 405 and the Citroen AX mini, have also consolidated the private group's recovery. The group is now about to renew its top of the line model ranges with the launch next year of a new top range Citroen followed by a top range Peugeot.

Mr Jacques Calvet, the chairman of Peugeot and principal architect of the private group's remarkable comeback, has now set the ambitious target for the Peugeot-Citroen group to become No 1 in Europe by 1992 or 1993. With a 12.75 per cent share of the European market, the private French group currently lies third in Europe after Fiat and Volkswagen.

Even though Mr Calvet now expects the French and European car markets to start declining next year and in 1990, after unexpectedly strong market rises during the last two years, the Peugeot chairman wants to continue boosting the production capacity of his group.

Peugeot's production is expected to rise above 2m cars this year from 1.9m last year.

Renault: back in the black last year

Mr Calvet would now like to see production capacity grow to 2.3m cars during the next two years and 2.5m cars over the next four years. These increases would be undertaken by further investments in the group's existing plants in France, Spain and the UK.

The more recent recovery at Renault has been equally spectacular. It started two years after Peugeot when the Socialist government at the time decided that France could no longer afford to subsidise indefinitely the state car group and appointed Mr Georges Besse, one of the country's most esteemed and toughest managers, to put an end to the financial haemorrhage of Renault and restructure the company.

Mr Besse launched a sweeping restructuring programme, cutting back the workforce of a group which had always been a "social model" of state enterprise in France. He recentred Renault around its core car manufacturing business, divesting the group from non-strategic operations. Rigorous cost controls were introduced and the production break even point was steadily reduced. The fruits of this restructuring and the demystification of Renault as a "social laboratory" had begun to show before Mr Besse was assassinated by left-wing terrorists outside his Paris home in November 1986.

The government appointed Mr Raymond Levy, a former senior executive of the French Elf-Aquitaine oil group who had been running the Belgian Cockerill-Sambre steel concern, to take over the reigns of Renault. Mr Levy accelerated the recovery strategy begun by his predecessor. He continued the policy of recentring Renault around its core European car operations and pulled the company out of its costly US investment in American Motors by selling Renault's controlling stake in AMC to Chrysler.

Helped in part by the recovery of the French and European car markets, Renault returned in the black last year with a profit of FFr3.7bn after accumulating more than FFR25bn in losses the three previous years. The company is now talking of profits of more than FFr6bn this year and Mr Levy remarked at the recent Paris motor show: "When a man in France sees a Renault passing in the street these days, he no longer says 'there goes my taxes'".

But Renault continues to be burdened by its heavy debt. Even though the group has succeeded to reduce its indebtedness from FFr55bn at the end of 1986 to under FFr40bn by the end of this year, the debts are still huge especially by comparison to the state group's main competitors. The car group is now hoping to reduce its debts further this year by securing a FFr12bn debt relief programme from the government bringing total debt down to around FFr28bn.

The Renault debt relief plan, however, has been at the centre of a major controversy for the past year both in France and in Europe. The former right-wing government of Mr Jacques Chirac had negotiated both with the private Peugeot group and the European Commission a plan which linked the debt relief with the transformation of Renault's privileged status of a state-controlled "regie" whereby the government could never allow the company to go bankrupt into an ordinary company or "Societe Anonyme". At the same time, the French authorities pledged not to support financially in the future the state car group.

The new *Socialist* government has now confirmed the debt relief plan and its wish to see Renault operate like any other "normal" company. But it no longer wants to transform the company's legal status for fear of provoking what it says is the risk of "a religious war" with the trade unions. For the Socialists, the issue of the Renault status is academic and symbolic. In practice it makes no difference in the government's opinion whether Renault is a "regie" or a "Societe Anonyme" since the company is now operating as an ordinary competitive enterprise no different from other company.

Mr Roger Fauroux, the French industry minister, has thus launched a new round of negotiations with the Brussels authorities to secure their approval for a modified Renault debt plan which would not involve a change in the company's status. The French government is now hoping to secure the Commission's approval before the end of this year, but the negotiations are complex. They are made all the more difficult because the private Peugeot group is likely to oppose any new proposal which it feels risks undermining competition in the domestic car market.

The Renault debt plan negotiations also coincide with another thorny issue between the European Commission and France. This involves a dispute between France and the UK over the export to France of UK-built Japanese Nissan cars. The UK authorities are arguing that the UK-Built Nissans qualify as "European" made cars because their European local content is over 80 per cent. As a result, the UK says that the Nissans built in Sunderland should not be included in French import quotas on Japanese cars restricting Japanese car imports to 3 per cent of the annual French car market.

However, France has insisted on at least 80 per cent local content for UK-built Japanese cars to qualify as European products. The issue has now been taken up in Brussels and the negotiations, in the same way as for the Renault debt plan, are expected to be tough and tense.

Paul Betts

PROFILE: JACQUES CALVET

Peugeot aims high

MR JACQUES Calvet, the outspoken and combative chairman of France's Peugeot-Citroen car group, has set himself an ambitious challenge – to make the private group No 1 in Europe both in terms of car sales and profitability over the next four to five years.

A few years ago, it would have been difficult to imagine Mr Calvet speaking so confidently about Peugeot's ambitions of becoming the leader of the European car industry. When he joined the group six years ago, Peugeot was on the brink of bankruptcy.

Mr Calvet himself had no direct experience of the car industry. After a distinguished career as a civil servant – he was "directeur de cabinet" when the former French President Valery Giscard d'Estaing was Finance Minister between 1970-1974 – Mr Calvet headed the Banque Nationale de Paris(BNP), France's largest state-owned commercial bank, until the Socialist government replaced him after President Mitterrand's victory in the 1981 elections.

Mr Calvet was called in by the Peugeot family in 1982 to help rescue the car group battered by the difficulties of both absorbing Chrysler's European operations acquired three years earlier and the industry recession in general. The private car group was also deeply unsettled at the time by Communist and pro-Communist CGT union efforts to nationalise the company. Indeed, the Communists dreamt of merging Peugeot-Citroen with the state-controlled Renault group to form one giant national car manufacturer.

With the dice apparently loaded against him, Mr Calvet engineered one of the most spectacular financial and industrial recoveries in post-war France. He began by taking the Socialist government of Mr Pierre Mauroy head on, by launching a Draconian programme of restructuring and job cuts. The authorities at first opposed the plan, which reached a climax with the famous "battle of Poissy" when violent clashes erupted at the company's large plant outside Paris, taken over by Peugeot when it acquired Chrysler's European assets in 1978.

But the incidents at Poissy acted as a watershed in labour relations not only at Peugeot but also in French industry in general. Mr Calvet finally won the day and the restructuring went ahead. At the same time, the mood began to change in industrial relations with a growing acceptance and awareness of the need to modernise, rationalise and restructure French industry to make it *internationally competitive*.

Jacques Calvet, Peugeot-Citroen chairman: the 205 supermini has been a commercial success

Mr Calvet followed up the restructuring at Peugeot with an equally sweeping reshaping of the group's Citroen subsidiary. Productivity was sharply improved, the group's industrial network in France, Spain and the UK was better integrated, plants were modernised, and the group launched a series of successful models which helped it return to the forefront of the European car industry.

After accumulating more than FFr8bn in losses between 1981-84, Mr Calvet steered Peugeot back in the black in 1985 with earnings of FFr543m and profits of FFr3.6bn the following year. Profits rose even more sharply to FFr8.7bn last year and this year they are expected to be higher although the company is now paying full tax again.

But Mr Calvet has not camped on his success. He has continued to be an outspoken defender of his group and of the interests of the French and European car industry. During the last few months, he has repeatedly made the headlines because of his public stand on a series of controversial issues. These range from Europe's plans for new small car emission standards, the need to defend France and Europe from unfair Japanese competition and, in France, the need to avoid distorting competition by granting the nationalised Renault group too much state support to restructure its debt burdened balance sheet.

Mr Calvet's combative stance on key public issues often appears to have paid off. Last summer he persuaded the French government to revise its position on European emission controls to safeguard the interests of small and medium sized vehicle manufacturers. He has also campaigned strongly against efforts to undermine the buoyant French diesel car market by proposed changes in the taxation of petrol and diesel in France which would have increased diesel prices with damaging repercussions to this market sector.

Mr Calvet is now seeking to instil his deep personal involvement in the affairs and future of his car group throughout the ranks of the company. To motivate the company now that it is again profitable and healthy, he has launched the new challenge to make his group No 1 in Europe over the next four to five years. To this end, both Peugeot and Citroen are keeping up significant investments to continue improving productivity levels as well as production capacity which Mr Calvet wants to boost by nearly 20 per cent over the next four years to around 2.5m cars a year. At the same time, he is continuing to strengthen the group's financial bases by steadily chipping back the group's indebtedness which has already come down from nearly FFr35bn in 1985 to less than FFr15bn by the end of this year.

The group's strategy is also based on a regular renewal of its Peugeot and Citroen model ranges based on four basic categories (mini, small/medium, medium, and large) for Peugeot and Citroen respectively with the two marques maintaining their own specific characters, style and autonomy. Moreover, to expand the group's car catalogue, Peugeot and Citroen have been multiplying the variety of different models in each of the four basic categories.

The commercial success of the Peugeot 205 supermini and of the Citroen BX medium saloon has made a major contribution to the financial recovery and the revival of the image of Peugeot during the last few years. Since then, Citroen has launched its AX mini while Peugeot has launched the 309 small/medium saloon and the recent 405 medium saloon. Mr Calvet now plans to consolidate the renewal of the ranges of his two marques by launching next year a top of the line Peugeot as well as a large Citroen.

For all these reasons, Mr Calvet appears confident over the future. At the recent Paris motor show, he told a crowded press gathering: "I truly believe that Peugeot SA is establishing itself as a permanent contender in the automobile industry." The next step is to become No 1 in Europe.

Paul Betts

Sweden's two big car makers put pressure on their government

Fighting off the Japanese

THE JAPANESE car threat reached the shores of Sweden this year and the two big home-grown companies – Volvo and Saab – were so alarmed that they applied pressure on the Swedish government to try and secure some limitation on the level of Japanese car imports.

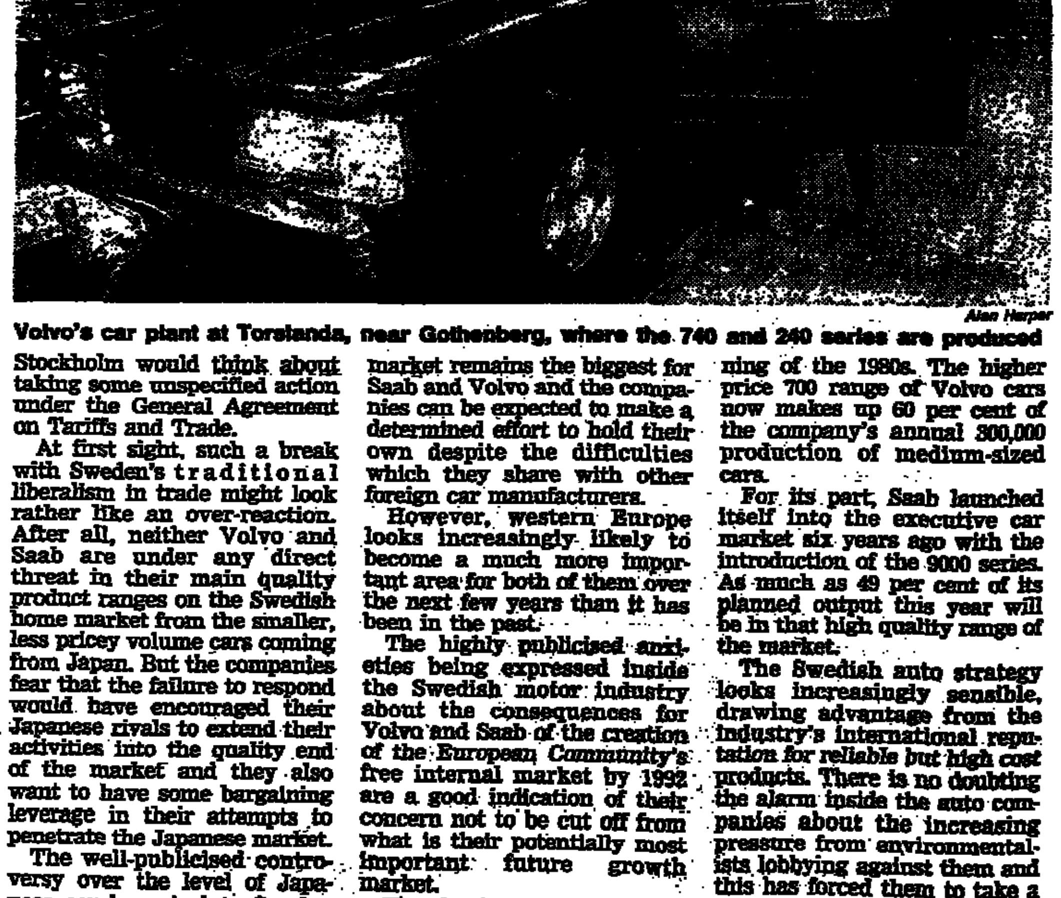
In August Japan's auto makers agreed that they would observe a voluntarily agreed limit on the number of their cars entering Sweden in response to a request from Japan's powerful Ministry of *International Trade and Industry*. This followed months of discussion between the Swedish and Japanese governments over the issue.

However, it is going to take some time before the agreement will make much difference to the level of Japanese car imports into Sweden.

The latest figures on new car registrations in Sweden for September help to explain why there is such official concern in a country that has traditionally taken a very open, liberal attitude to foreign imports of manufactured goods. Last month Japanese cars had captured as much as a quarter of the entire Swedish market. So far this year as many as 63,985 new registered cars were manufactured by Japanese companies (around a third by Toyota) out of a total national figure of 251,229 registrations.

The arrival of Japanese car competition in Sweden has been sudden and dramatic. Three years ago Japan enjoyed only 16 per cent of the market's total share and Volvo and Saab between them had just over a third. But now the Swedish companies complain that their joint position is only slightly higher than that of Japan, which has experienced an increase of more than 55 per cent over the past nine months in car sales to Sweden. West German cars account for 35 per cent of new registrations in the Swedish market.

The Swedish government proved receptive in general election year to the increasing complaints of the Swedish carmakers. It was suggested that the Japanese companies had decided to concentrate their sales efforts in Sweden because of the increasing difficulties they faced in the markets elsewhere in western Europe from restrictions on their imports. The Swedish foreign ministry has made it clear that if Japanese car imports did not fall by a "reasonable amount", then



Alan Harper

Volvo's car plant at Torslanda, near Gothenberg, where the 740 and 240 series are produced

Stockholm would think about taking some unspecified action under the General Agreement on Tariffs and Trade.

At first sight, such a break with Sweden's traditional liberalism in trade might look rather like an over-reaction. After all, neither Volvo and Saab are under any direct threat in their main quality product ranges on the Swedish home market from the smaller, less pricey volume cars coming from Japan. But the companies fear that the failure to respond would have encouraged their Japanese rivals to extend their activities into the quality end of the market and they also want to have some bargaining leverage in their attempts to penetrate the Japanese market.

The well-publicised controversy over the level of Japanese car imports into Sweden has tended to divert attention away from the problems facing the car divisions of both Volvo and Saab. The damage inflicted in the first quarter of 1988 by a national white-collar strike had a serious, though short-term, impact on profits but the companies have recovered powerfully from that unexpected setback.

Much more serious has been the continuing squeeze on their car sales to the US, still the major market for both of them, due partly to the low value of the dollar as well as exchange rate fluctuations which have had an adverse effect on Swedish car price competitiveness. In the first seven months of the year Saab recorded a 15 per cent drop in its car sales to the American market, while Volvo suffered a decline of 20 per cent up to the end of June.

Nevertheless, the American market remains the biggest for Saab and Volvo and the companies can be expected to make a determined effort to hold their own despite the difficulties which they share with other foreign car manufacturers.

However, western Europe looks increasingly likely to become a much more important area for both of them over the next few years than it has been in the past.

The highly publicised anxieties being expressed inside the Swedish motor industry about the consequences for Volvo and Saab of the creation of the *European Community's* free internal market by 1992 are a good indication of their concern not to be cut off from what is their potentially most important future growth market.

The business strength of Volvo and Saab at the moment owes perhaps more to their export successes with their trucks and buses as it does to their motor cars but both companies are working at full capacity in auto manufacture.

Indeed, next year they are opening new plants to meet growing demand. Saab has a new assembly plant opening in Malmo, which will produce 60,000 cars a year from the autumn of 1989 and raise the company's total car production capacity to an annual figure of 180,000 units while *Volvo's* Uddevalla plant will be producing 40,000 of the 740 model annually from next year.

These expansion plans are linked to the Swedish car industry's clear objective of concentrating more of their financial resources in investing in the executive car end of the market, a plan which really began in earnest at the beginning of the 1980s. The higher price 700 range of Volvo cars now makes up 60 per cent of the company's annual 300,000 production of medium-sized cars.

For its part, Saab launched itself into the executive car market six years ago with the introduction of the 9000 series. As much as 49 per cent of its planned output this year will be in that high quality range of the market.

The Swedish auto strategy looks increasingly sensible, drawing advantage from the industry's international reputation for reliable but high cost products. There is no doubting the alarm inside the auto companies about the increasing pressure from environmentalists lobbying against them and this has forced them to take a much greater interest in their own pollution, particularly in vehicle emissions.

Yet the growth in Green power in Sweden has not diminished the desire of Swedes to be car owners. This year car sales have risen to record levels, a good reflection of the over-heated economy. In the period up to September there was a 12.0 per cent increase compared with the first eight months of 1987.

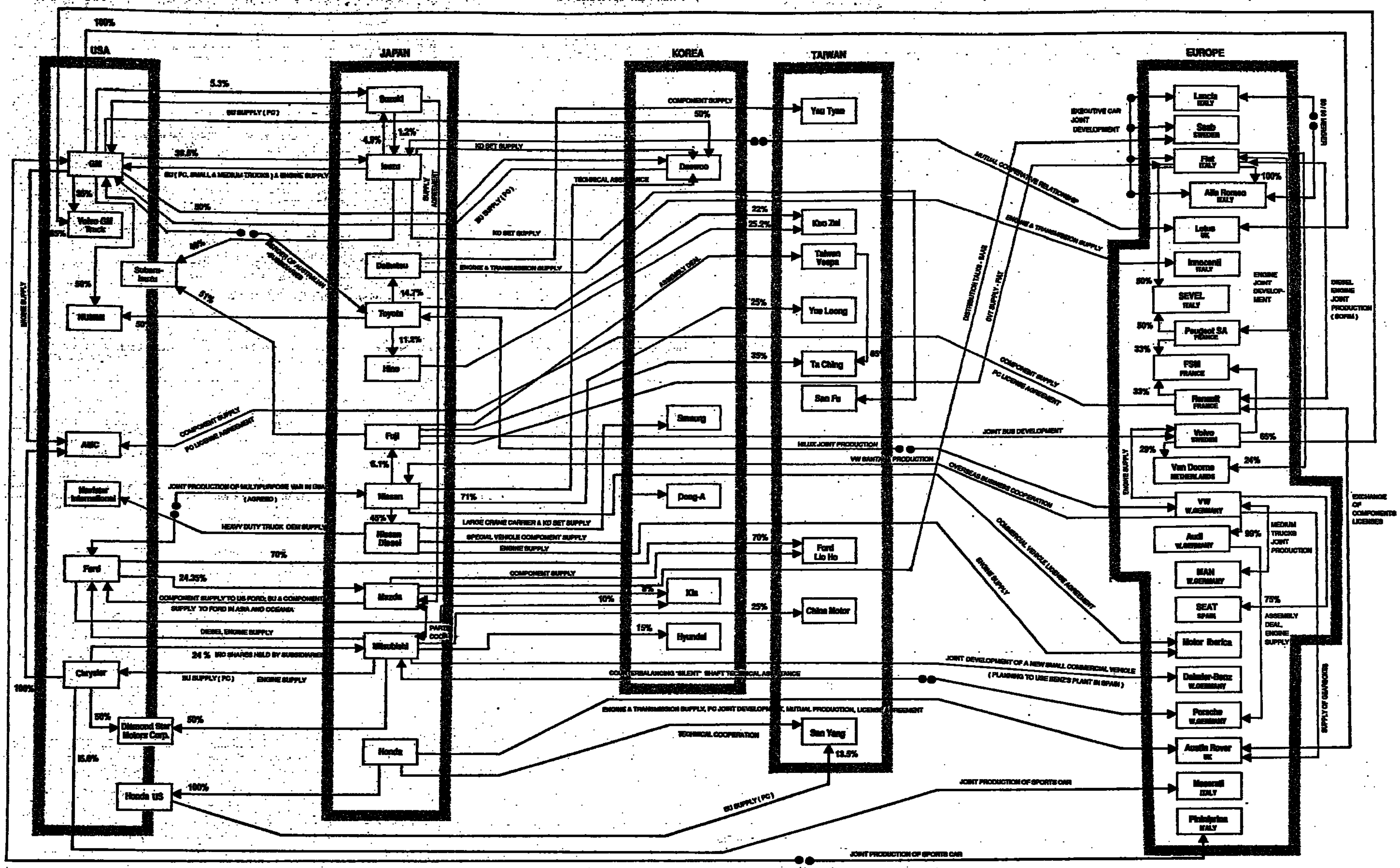
Prospects for 1989 look equally good at the moment, though these could change. Certainly neither *Volvo nor* Saab is expressing any worries at the moment about the immediate future of their product range. But both the Japanese threat and the challenge of 1992 inside the EC means that neither can afford to be complacent about the prospects ahead.

Robert Taylor

World auto manufacturers : capital and operational relationships, June 1988 FINANCIAL TIMES MOTOR INDUSTRY SURVEY 1988

Major links only. Complex actions are now taken by partners, the trend being to ad hoc flows of capital and components and increasing cooperation

% = equity holdings in the direction of the arrow



Source: Economist Intelligence Unit

Strength of yen and tough competition is making it harder to export

Japan looks to its own backyard

THIS YEAR, for the first time in more than a decade, Japanese carmakers should get more than half their sales and operating profit from the domestic market rather than exports.

Their backyard has become a sanctuary. Abroad they are being buffeted by the strength of the yen; tariffs, quotas and voluntary export restraints; and tough competition from America's reviving Big Three and the low-cost South Koreans.

The number of cars exported from Japan has been falling since 1985. Though some of those are being replaced by local production, Japanese carmakers' foreign plants are only now starting to turn out vehicles in quantity. For the past three years, they have had rising sales at home to thank for keeping total production at the 1985 level of 12m vehicles a year.

Last year, sales of cars and vans in Japan topped the 5m mark for the first time. This year should be another record-breaking one, with a 6.2 per cent rise in sales to 5.38m vehicles. Despite price increases for new cars, domestic demand has been booming, stimulated by government measures to cut the country' external surpluses. In the first eight months of this year, total domestic car sales, at 2.05m vehicles, were 13.5% higher than in the same period of 1987, while sales of luxury car (defined as vehicles with engines of 2 litres or larger) doubled to 110,752 units.

Car sales in Japan are overwhelmingly sales of Japanese cars. Last year, imports, although 43 per cent up on the 1986 total, were a dribble at 98,700 vehicles. This year, imports are forecast to grow a further 22.7 per cent to 120,000.

For the first time, these will include Japanese cars built abroad. Honda has started to bring in 5,000 Ohio-built Accord Coupes for this year, a figure it thinks will rise to 50,000 a year by 1990. Mazda is importing an American-made small car, the Probe, which will also be selling in America and Japan with a Ford badge.

These imports will make the already fiercely competitive domestic market more cut-throat. This year's projected total sales are 180,000 vehicles above the level the industry considers the market's ceiling.

Within this fight for market share, the sales growth targets for the individual manufacturers vary enormously. Honda and Mitsubishi Motors, who are slugging it out for the No 3 spot in the industry, are aiming for well-above-average increase in sales in Japan of 13.3 per cent and 12.5 per cent respectively. If achieved, they would leave the two manufacturers level-pegging with 1988 sales of 620,000 vehicles each.

Conservative Toyota, the industry leader, which this year rolled out the 60 millionth car it has built, plans a modest 1.8 per cent increase in sales to 1.91m vehicles for the year. For the first time in eight years, it has a domestic sales target higher than its export one.

Nissan, the industry No 2 and which is recovering from a rocky couple of years in which it was losing money on its car-making after Toyota launched a price war to boost its market share, is looking for relatively strong growth in sales in 1988 of 6.5 per cent to 1.09m vehicles. Its 1987 sales were stagnant.

A new, stylishly-designed range of cars (plus a fearsome cost-cutting campaign) is restoring its fortunes. Its Cima, a BMW Series-5 clone based on its old Cedric model, has been a hit in the luxury market. Despite selling for Y5m, this has a waiting list of a couple of months, a phenomenon virtually unknown in the car trade in Japan.

Like the other carmakers, Nissan has been revamping its domestic sales networks. Last year, it embarked on a four-year re-organisation of its 3,000 dealerships, which have been divided on product lines, into regional groups. It will use this as an opportunity to weed out the weaker ones. But it also plans by 1991 to add a further 200 dealerships overall.

Toyota, which has a target of 2m sales a year by 1990, is also pouring money into its sales network, particularly in the Tokyo area where it has never been strong and where its sales are now being eroded by Nissan's comeback. Toyota is spending Y300bn a year for three years to add 100 dealerships a year to bring its total up to 4,400 by 1990.

The hard selling, especially of replacement models, is still done in Japan by teams of home-calling salesmen. But a lot of money is going into remodelling showrooms. The newest ones in Tokyo look like chic galleries in which the old car has been carefully placed for purely artistic effect.

Nissan is taking showroom redesign furthest. Its new standard dealership for suburban Tokyo contains not just a showroom and workshops, but family restaurants and shops, too.

New showrooms require new models. Japanese carmakers update their existing ranges constantly but there have been several major new launches stimulated by the Tokyo Motor Show in 1987. Apart from the Cima, Nissan revised its Bluebird range. Mitsubishi introduced a range of subcompacts called Mirage. Honda launched its Prelude and revamped its popular Civic series. Toyota brought out new versions of the Crown and Corona models.

The new models, greater sales promotion, fierce cost-cutting both through moving production offshore and lowering break-even points, plus the growing domestic market have combined to restore the industry's profitability, despite the tough competition. Nomura Securities forecasts that the industry's aggregate operating profit, which was halved in the 1986 financial year, will recover this year to within 10 per cent of its pre-high yen peak.

Whether this recovery will continue into 1989 depends mostly on how strongly domestic demand continues to expand. The prospect is mixed. The OECD forecasts that Japan's real GNP growth will slow from 4.25 per cent this year to 3.75 per cent in 1989.

The carmakers may be cushioned against that by tax changes. Bills now before parliament would scrap a 23 per cent commodities tax now imposed on new-car sales. Instead, these would be subject to the proposed general 3 per cent consumption tax.

James Andrews

World motor manufacturers

	make	1987 results sales	net income	1986 results sales	net income	capital	shareholders' equity ratio
Japan	Toyota	45,411	1,773	40,280	2,094	791	65.7
	Nissan	29,269	139	25,708	198	628	49.0
USA	GM	101,782	3,551	102,814	2,945	779	42.3
	Ford	71,643	4,625	62,716	3,285	537	39.2
	Chrysler	26,632	1,290	22,586	1,404	230	37.0
Europe	Daimler-Benz	37,276	985	30,163	814	1,178	26.2
	VW	30,322	333	24,312	287	691	25.7
	Fiat	29,319	2,484	19,679	1,450	1,509	25.9
	Renault	24,540	614	18,923	−800	745	−7.7
	Peugeot S.A.	19,660	1,116	15,146	518	164	14.6

Source: Toyota Motor Corporation

RATIONALISATION

Industry's structure poised for change

IN THE 1970s, when there were around a dozen Japanese car companies, the country's Ministry of International Trade and Industry (MITI) had a plan to cut their number to a handful.

Believing that only large-scale carmakers would survive, officials wanted to force mergers that would concentrate the industry in to three main groups, based on Toyota, Nissan and Mitsubishi Motors.

Nissan took over the tiny Prince Motors but that was about as far as things went. A revolt by the industry forced the ministry to drop its plan. Even the Nissan takeover was mainly for Prince's aerospace technology.

This was lucky for Honda. It was on the list of companies to be rationalised. Officials thought that the motorcycle manufacturer, then just turning to small cars, was a no-hoper. But, like Honda, the plan survives. It was never thrown away, just shelved. Now it is being dusted down again.

There is not likely to be a rush of mergers at government gun-point. MITI officials acknowledge that these days their ministry has neither the power nor the inclination to force that. If anything, the agents of change this time will be Industrial Bank of Japan, banker to Nissan and Fuji Heavy Industries (the maker of Subaru vehicles), and Sumitomo Bank, banker to Mazda and an growing power in the Japanese car industry.

The nine vehicle makers Japan has now will probably all still be around in five years time, at least in name. Yet, by the mid-1990s, the underlying structure of the Japanese car industry will be much different.

The sort of concentration that the ministry envisaged 15-20 years ago will have emerged through voluntary tie-ups and collaborative ventures for R&D, production and marketing with only the gentlest nudge from the ministry and the banks. It will be a web of alliances, spun round perhaps three core companies.

The spinning has already started as Japanese carmakers wrestle with the rationalisation forced by increased overseas production, a domestic market that is reaching saturation point, and the need to get costs down and to develop new technologies for the fight for a bigger share of an increasingly mature market at home and abroad.

Toyota has taken a 15.1 per cent stake in Daihatsu, which makes the small cars Japan's leading carmaker does not. Nissan has a 6 per cent stake in Fuji Heavy. Fuji's Subaru has a 51:49 per cent American joint venture with Isuzu, the lorrymaker that has a small cross-shareholding with Suzuki, another maker of mini-cars.

With the industry's profitability under severe pressure ever since the yen started to soar in 1985, the small companies now take less convincing of the need for big partners than they did 15-20 years ago.

The awkward question is where to draw the line between big companies and small. Who counts as a big company and as a small one. Toyota, Nissan, Honda and Mitsubishi Motors clearly fall into the big company category, though in the minds of several MITI men, three is one too many survivors. Honda, which has not domestic links yet, may solve the problem for them by ending up essentially as an American company with some offshore production in Japan.

The specialists such as the minicar makers Daihatsu and Suzuki, and Hino, the lorry-maker in the Toyota camp, fall into the small one. But what about Mazda, the fifth ranking vehicle maker? With only about 5 per cent of the domestic car market Mazda trails by a long way the joint No 3, Honda and Mitsubishi Motors. They both have about a 15 per cent market share.

Mazda's position is made more complicated because it is the most advanced among the Japanese carmakers in the the parallel trend of tie-ups across international frontiers. America's Ford owns 24 per cent of Mazda. The two companies have a number of collaborative ventures. In Mexico and South Korea they are building Mazda-designed cars carrying Ford badges to be sold in the American market. Both Ford and all but perhaps the very top management at Mazda see Mazda becoming, for the Ford group around the Pacific Rim, the sort of company that Ford of Europe is in Europe. It would be a semi-autonomous part of the Ford empire, designing, building and marketing its cars locally with only the broadest direction from Dearborn.

In March, Mazda took over Ford's Japanese dealerships. If Mazda was to become Ford of Asia, Ford would want to raise its equity stake from 24 per cent so that it could increase the number of senior directors it could place in the company to ensure policy control. Ford now provides one managing director.

Though Mazda says there is no imminent prospect of this, it is widely believed in the Japanese car industry that MITI wants Mazda to be taken under Nissan's wings instead. Sumitomo Bank is also keen on the idea as that would give it a way into Nissan.

MITI officials and Sumitomo bankers dismiss the notion as fanciful, but the story refuses to die. Conspiracy theorists point to the appointment of Mr Norimasa Furuta, a former MITI official, as president of Mazda in place of Mr Kenichi Yamamoto, who was unexpectedly kicked upstairs last December at the instigation, they believe, of the bank.

That leaves the top three executive positions at Mazda in the hands of two former MITI officials and a secondee from Sumitomo Bank.

Even bigger conspiracy theorists can see the hazy outline of another plot. They look at Ford's recent decision to co-operate with Nissan in developing a light van in the US (a deal brokered by Sumitomo Bank), and Mazda's tie up with Suzuki to co-operate in building supercompact cars for the Japanese market, and wonder if someone in the depths of MITI or Sumitomo someone is not dreaming of a Nissan-Ford merger one day.

The notion is not so far-fetched. Analysts are now starting to suggest that the concentration of the Japanese car industry will just one step along the road to the same thing happening worldwide as the webs of domestic and international alliances being spun by Japanese carmakers become evermore intertangled.

James Andrews

Japanese car factories in US set to step up output by 30 per cent

'Transplant' production increases

PRODUCTION at Japanese car plants in the US, last year, climbed by one third to over 600,000 units. This year, two new 'transplants' have already come on stream.

In July, Toyota added a new facility at Georgetown, Kentucky and there was a September start-up for Diamond-Star Motors, a joint Mitsubishi/Chrysler operation.

With this expanding base, Japanese output in the US looks set to advance by another 30 per cent to top 800,000 cars this year. This represents over 10 per cent of Japan's domestic car output and it contrasts with an expected 8 per cent setback in production (to 5.9m cars) for the indigenous US Big Three – Chrysler, Ford and General Motors.

US production is regarded as essential to reduce costs while the dollar remains weak against the yen. It also assists in easing the protectionist clamour in the US and in getting around the confines of shipment quotas.

At current exchange rates and productivity levels, unit costs for Honda's US made cars, for example, are said to be comparable to those of Japanese-built models after allowing for delivery costs of $500 or more on each Japanese-sourced car.

First exports from Japanese transplants in the US are now underway – to Japan and other world markets. By 1991, Honda of America is preparing for the export of 70,000 cars per year and with the expected move towards the exclusive siting of full-size and sports models in the US, shipments to Europe are expected to follow.

As more and more affiliated component manufacturers follow Japan's vehicle producers to the US – at the last count over 300 had moved or were on their way – domestic content ratios are rising rapidly and by 1990 Japan's Big Three – Toyota, Nissan and Honda – will all have in place new lines of cars larger than current full size Buick and Cadillac models, and powered by new generation V8 engines.

All the leading Japanese producers have now established engineering design studies in southern California in an effort to develop new model lines closely tailored to the US market. At the same time it is hoped that this will enable them to cut product development cycles from the current four years to two. This should also help to reduce costs and boost sales potential with much finer targeting of niche markets.

In the US the inflow of Japanese component producers looks set to continue. Bases are being set up within a narrow radius of the transplant sites to facilitate "just in time" component supplies either on a solus basis or, more commonly, via a joint venture. Recent such link-ups include TRW and Fuji Valve (Valve train components) and NHK Spring and Lear Siegler (automotive seats.)

As well as supplying the Japanese plants, US vehicle producers are being targeted. Components are also now being shipped back from the US to production plants in Japan. Honda has hinted that there could be mutual trading of components between its plants at Ohio and at Swindon in the UK.

In the heavy truck sector, Nissan Diesel has agreed on a joint approach with Navistar but it is the light van sector which looks set to fuel the next surge in Japan's transplant ambitions.

Last year the competitive edge was lost in this sector due to the combination of a 25 per cent tariff and the high yen. This has led to a reversal of trading positions with Mazda, for example, recently resorting to re-badged Ford models in an effort to maintain sales. At the moment only Nissan is producing pickups in the US but Toyota is preparing to follow along with Isuzu.

Apart from Honda, other leading Japanese producers are established their US production bases through some collaboration with US manufacturers – Mazda with Ford, and Mitsubishi with Chrysler. Over 20 per cent of the cars being produced at Japanese plants in the US to 1995 will consist of these Japanese – US hybrids carrying American brand names.

In March this year, Honda began exports of its US-built Accord coupé model to Japan. This was the first Japanese-built model to be exported from the US to Japan. Engines are currently sourced from Japan but it is expected that the company will switch to US produced alternatives in the future. Domestic content on the model is reported at 60 per cent, but average domestic content at Marysville is being raised to 75 per cent in 1991.

Honda of America is planning to ship out 4,000 Accord models to Japan this year. Shipments are expected to rise to 50,000 units per year by 1991 with an additional 20,000 vehicles destined for export to other world markets. US-built Accord models have been exported to the Taiwan market since 1986.

Additional provision has been made by Honda of Canada Manufacturing to start production of the three door Civic hatchback at Ontario. Construction of additional facilities for stamping began in Spring this year ready for operation next year. En route to sales of 1m cars per year in the US, Honda has laid plans to increase its US output to 510,000 vehicles in the early 1990s. The company is planning to build a second car plant in Ohio, with production starting next year at 150,000 units per year and rising to 200,000 units. (There is speculation that capacity could ultimately be raised to 350,000 units.) Output at the existing Marysville plant is also to be raised to 360,000 units per year this year and $150mn is being invested at the Ohio engine plant to raise production to 500,000 1.5 litre engines per year. Total Honda manufacturing investment in Ohio will exceed $1.7bn in 1991.

Most future growth in the US is expected to come through the Acura Division with sales scheduled to reach 400,000 units by the early 1990's through a dealer network poised to reach 600 by 1991.

In April, this year, Nissan Motor Manufacturing Corporation of the US (NMM) announced that it was planning to add production and assembly of components, including engines for Sentra passenger cars, to its capacity, starting from summer next year.

NMM claimed over 50 per cent local content at the beginning of this year and this new move is expected to enable local content on Sentra models to be raised to 70 per cent in 1990 and over 75 per cent in 1991.

NMM is scheduled to begin assembling rear axles for the Nissan Truck next February and engines for the Sentra next July. Production of plastic bumpers and fascias for the Sentra is planned for August 1990. The engine to be assembled in Tennessee will be a 4 cylinder, 12 valve, 1.6 litre unit, with monthly output targeted at 12,000 units when production comes on full stream.

Ties between Nissan and Ford were taken a stage further recently with the announcement of a joint US production venture for a people carrier to challenge Chrysler's leading Plymouth Voyager. The new model will be designed at Nissan's San Diego studios with production by Ford at its Ohio truck plant. Start-up is scheduled for autumn 1991 at an annual rate of 135,000 units of which Nissan's US operation is to take 50,000. Nissan will supply main panels from its Tennessee plant and engines and transaxles fro Japan.

Negotiations are underway between Toyota and General Motors which could lead to the start-up of pickup production at the Fremont New United Motor Manufacturing plant in California. The addition of a second assembly line could permit output of 100,000 pick-ups per year. A decision on the project is expected by the end of the year.

Output of cars at Fremont has fallen well short of capacity. Original plans called for annual production of 200,000 Chevrolet Novas and 50,000 Corollas, but combined output last year was less than 180,000 units. Now the model line up is being changed to substitute the 4-door for the 2-door Corolla (FX). Output of the Corolla is also to be doubled to 100,000 units per year. Export targets include Canada and Taiwan and work on a $300m power-train facility at Georgetown is underway.

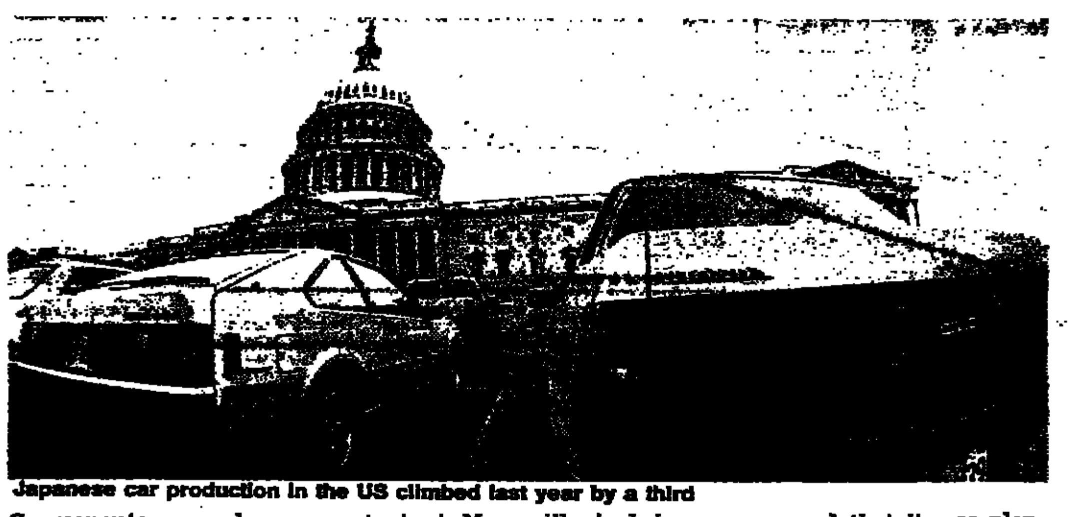
Output at the joint Mitsubishi / Chrysler Diamond-Star Motors is expected to reach 80,000 units next year with full production scheduled by 1990. Initial output consists of equal proportions of Plymouth's Laser and Mitsubishi's sporting Eclipse. Four-wheel-drive variants follow next spring with two additional saloon models expected to join the line-up by the autumn. A highly flexible and automated production base has been installed to cope with this variety of models including almost 400 industrial robots.

Following the addition of a second shift in June, Mazda reached full production at its Flat Rock plant in September and with overtime output could be stepped up to 300,000 models per year. The first model to be produced was the MX-6 sports coupé with output of Ford's successful Probe model getting underway last January. An annual target of 6000 Probe models are to be exported to Japan following first sales in September, and in the autumn next year, a third model - Mazda's 626 - will be added to the range. It has also been suggested that Mazda might, in future, shift production of its sports RX7 models exclusively to the Flat Rock plant. A decision on the possible addition of an engine plant in Michigan is expected by the end of the year.

Fuji Heavy Industries is currently constructing a plant jointly with Isuzu to build vehicles in Indiana. The company has been under pressure from the US government to raise local content plans and it is now considering adding a plant to produce vehicle engines. In a separate venture, speculation remains that Isuzu could take over a GM plant to start up US production of light vans.

Suzuki of America is looking for rapid growth in the US in the specialist sport-utility sector. An ambitious new product programme gets underway with the opening of the plant in Ingersoll, Ontario. It will be the source of a 1989 model sport-utility vehicle which is to be shared with Chevrolet. Suzuki of America is to receive 35,000 vehicles from the new facility in its first year of operation. In 1991 Ontario is also to begin supplies of an exclusive small sports car.

Ian Robertson



Japanese car production in the US climbed last year by a third

Japan's production base in North America

manufacturer	location	models	capacity	start-up
Honda	Marysville, Ohio	Accord, Civic	320,000	Nov 1982
Honda	Marysville, Ohio	Civic, Acura Integra	150,000	Aug 1989
Honda	Anna, Ohio	Engines	90,000	Sep 1986
Honda	Alliston, Ontario	Accord	80,000	Nov 1986
Toyota/GM	Fremont, California	Chevrolet Nova, Toyota FX	250,000	Dec 1984
Toyota	Georgetown, Kentucky	Camry	200,000	Mid-1988
Toyota	Cambridge, Ontario	Corolla	50,000	Late 1988
Nissan	Smyrna, Tennessee	Pickup, Sentra	265,000	Jun 1983
Mazda	Flat Rock, Michigan	Mazda MX-6, Ford Probe	240,000	Jun 1987
Mitsubishi/Chrysler	Bloomington, Illinois	H24S Sports	240,000	Nov 1988
Fuji/Isuzu	Lafayette, Indiana	Subaru 4WD saloons & stationwagons. Isuzu 4WD utilities.	120,000	Nov 1989
Suzuki/GM	Ingersoll, Ontario	4WD Samurai	80,000	
		Sprint	120,000	Apr 1989
		Total Capacity	2,205,000 Units	

Source: Economist Intelligence Unit

SOUTH KOREA

Reacting to trends at home and abroad

WHEN HYUNDAI Motor made the decision to set up a manufacturing plant in Canada three years ago, it can hardly have imagined that a few years later it might be exporting its Canadian-made cars back home. Such has been the change in trade patterns, marketing and world demand, not to mention in South Korea itself, that the country's leading car-maker may find itself following in the footsteps of Honda of Japan much sooner than it expected.

Hyundai's $270m Canadian plant, the first to be set up abroad by a South Korean motor company, will start producing the mid-sized Sonata car in January with an initial capacity of 30,000 units rising eventually to 100,000. The launch of the Sonata marks an attempt by the company to move up from the sub compact market by where it has scored notable success with exports of 263,000 cars last year to the US, a rise of 56 per cent over 1986. This year's target is 300,000 units, a little over 66 per cent of exports.

But the company's strategy along with that of the two other leading South Korea manufacturers, Kia Motor and Daewoo Motor is at present affected by a number of uncertainties. They include:–

- The future of labour relations.
- Possible over capacity in the North American market in the early 1990s.
- Problems of protectionism combined with the desire to diversify exports.
- Continuing pressure of the appreciation of the one currency.
- The likely development of the domestic market along with government measures to reduce tariffs and encourage competition from imports.

Perhaps the most urgent problem is the need to establish better labour relations. Both Hyundai and Daewoo experienced severe strikes earlier this year, causing a 15 per cent drop in exports from Hyundai and a 1.5 per cent fall in Daewoo during the first six months. Kyia, which has had no strikes has now slipped into second position after Hyundai, doubling its exports to 39,000 vehicles. All three companies have been affected by stoppages at suppliers and Daewoo's profitability is thought to have been seriously undermined.

While some of the more hard-lined company chiefs are hoping that the Government will strengthen its policies against strikes, President Roh Tae Woo said in a speech last week that management and labour were in the same boat. They should work out their differences peacefully in negotiations.

The companies have been shocked by the workers negotiating skills supported by financial arguments based on balance sheets. But along with some top managers frustration at their inability to use the heavy-handed tactics of the past, divisions within groups of workers have also contributed to difficulties in the bargaining process.

The next few months are likely to produce a clearer picture of the way forward for labour relations based on the success or failure of moves towards democracy in the country. Although wage rises in the past 18 months have been in double figures, companies are less concerned about absorbing these costs than in guaranteeing continuity of production, at their own factories and at suppliers.

Judgments on both the world market and domestic demand are proving difficult at present for all the companies, particularly when they try to finalise plans for expansion. As well as the new Canadian plant, Hyundai now has capacity for 700,000 cars in South Korea, of which up to 450,000 are exported. Daewoo's capacity is 170,000 and Kia's 300,000.

Hyundai has diversified exports to other markets including Europe, the Middle East and other Asian countries so as to avoid over-dependence on an increasingly protectionist US market. The appreciation of the Won currency has not been as strong against European currencies as against the dollar, benefitting this effort over the past year.

Daewoo has experienced less success in the US, partly because it has priced its Lemans sub-compact at a higher level than the Hyundai Excel. Daewoo Motor, a 50-50 joint venture with General Motors, has used the GM dealer network to market Lemans, which appears to have been less successful than Hyundai's independent network.

Daewoo's exports, which mainly go to the US dropped to 46,000 cars in the first eight months of this year. In third place behind Kia with 48,000 and Hyundai with 255,000. In the domestic market Daewoo again took third place with 18 per cent of sales after the fast-rising Kia (36%) and Hyundai 45 per cent. The company would not comment on its future strategy or relations with its US partner.

Daewoo has announced however that it will set up a partnership with Suzuki the Japanese company to produce a small 800cc "people's car", part of a government scheme to provide cars for all Koreans. All three companies are planning expansion to produce new small cars and to widen the range of bigger cars to compete with foreign imports and supply an expanded market.

Restrictions on foreign imports to the domestic market, which is increasing at the rate of 400 cars a day, a 50 per cent rise over the past year are slowly being lifted, and tariffs are falling from very high levels.

South Korean manufacturers remain isolated however from Japanese imports. They are banned though the Government has not yet made it clear whether or not US-made Japanese cars will be allowed in.

That decision may be affected by the South Korean manufacturers forecast of how they might manage if they try to export cars to Japan. A special Olympic shipment of 150 Excels, the first ever sold in Japan was snapped up very quickly, Hyundai says, but the company believes it may still be too early to lift the ban completely.

Part of South Korean companies success in foreign markets has been their ability to react quickly to trends abroad and political realities at home, while being flexible on models, pricing and new markets. That ability is likely to be put even more strongly to the test in the next year.

Maggie Ford


CELICA
GT-FOUR

MOTOR INDUSTRY 12

The US: despite much good news, says **Anatole Kaletsky**, Wall Street still rates car makers' shares as if a slump were imminent

Anxious eyes on the economy and the Japanese

LIKE THE boy who cried wolf, motor industry analysts on Wall Street are warning for the third year running that US car sales in the future may not match up to the past year's unexpectedly strong performance.

Will 1989 be the year, they ask, when blood begins to flow in the long dreaded battle for market share among the big three US manufacturers – and, even more dangerously, between American carmakers and their Japanese rivals?

Investors on Wall Street, as well as sceptical economists outside the motor industry, have been asking this question since the 1985 model year, when a 10 per cent surge in automotive demand took the total number of cars and trucks sold in the US market above 15m for the first time in history.

Each year, the industry's executives have reassured the doubters that American consumers would buy up all the cars Detroit planned to supply. And every time they have been right, at least so far. It may have taken some unplanned rebates here and a few price cuts there, but Detroit has consistently confounded the sceptics.

The 1988 model year, which ended in September, has followed the same pattern. Most experts at this time last year were forecasting combined car and truck sales of 14.5m to 15m units, some 5 to 10 per cent down on the year before. In the event, American consumers snapped up 15.61m cars and trucks, about one per cent more than their 15.49m purchases of 1987 models. Therefore the 1988 model year, despite the brief slump in sales immediately after Black Monday, turned out to be the third best year in the industry's history, beaten only by 1986, when 16.12m cars and trucks were sold and 1985, when total sales came to 15.72m units.

Even more heartening than the crude sales figures were the terms on which the dealers pushed the cars through their showrooms. Gone for the latter part of the year were the indiscriminate and costly financing incentives and rebates that had been used to move unwanted stocks in 1986 and 1987.

The industry generally managed to stick to the price increases it announced a year ago at the time of the 1988 models' introduction. As a result, the big three carmakers' combined profits this year are likely to reach $10.5bn, 11 per cent higher than 1987 earnings, and easily the highest figure on record, according to Mr Ronald Glantz of Montgomery Securities in San Francisco.

US car production & market share

number of units (market share)

	GM	Ford	Chrysler	AMC	VWA	Honda	Nissan	Toyota	Total
1980	4,064,546(63.79)	1,306,950(20.51)	638,974(10.02)	164,725(2.59)	197,106(3.09)	—	—	—	6,372,304(100.0)
1981	3,904,083(62.46)	1,320,195(21.12)	748,648(11.99)	109,319(1.75)	167,755(2.68)	—	—	—	6,251,003(100.0)
1982	3,173,145(62.56)	1,104,075(21.76)	600,502(11.84)	109,748(2.16)	84,246(1.66)	1,500(0.03)	—	—	5,073,214(100.0)
1983	3,975,291(58.64)	1,547,680(22.76)	903,553(13.33)	201,993(2.98)	96,207(1.45)	55,337(0.82)	—	—	6,782,061(100.0)
1984	4,344,727(55.89)	1,775,236(22.84)	1,247,326(16.05)	192,196(2.47)	74,785(0.96)	138,572(1.78)	—	—	7,773,342(100.0)
1985	4,887,079(59.70)	1,636,144(19.99)	1,266,067(15.46)	111,138(1.36)	96,459(1.18)	145,337(1.78)	43,810(0.53)	—	8,186,034(100.0)
1986	4,316,211(55.19)	1,763,993(22.53)	1,297,661(16.58)	49,435(0.63)	84,397(1.08)	238,159(3.04)	65,147(0.83)	14,248(0.18)	7,829,249(100.0)
1987	3,603,952(50.8)	1,830,446(25.8)	1,109,411(15.6)	—	66,696(0.94)	324,064(4.6)	117,334(1.65)	43,728(0.6)	7,099,629(100.0)
1st 8 months 1988	2,235,037(48.4)	1,216,584(26.4)	683,262(14.8)	—	35,998(0.78)	246,220(5.34)	72,174(1.6)	40,039(0.9)	7,318,445(100.0)

Research associate: Rivka Nachoma

There has been more good news for the industry in the types of products US consumers now demand. The trend in favour of light trucks, rather than passenger cars, has continued unabated. Car sales were actually marginally down, from 10.53m to 10.46m in the year to September; but trucks and vans, including the small passenger vans and sports utility vehicles that are becoming ubiquitous on US highways, rose four per cent to 5.15m, easily hitting a new record for the sixth year running.

This shift in the structure of US automotive demand has given American manufacturers a huge competitive advantage. Imports of trucks into the US have to surmount a 25 per cent tariff barrier, while car imports have been restrained only by numerical quotas, which have actually tended to boost the importers' profit margins on US sales. Not only has this tariff protection forced Japanese manufacturers to pass on the costs of currency appreciation much more directly into truck than car prices. The foreigners' in-built disadvantage in this segment of the market has discouraged product development, leaving technical leadership to the American marques.

Thus, while Detroit is all too often seen as following, rather than leading Japan and Europe in car design, technology and styling, indigenous manufacturers possess the most successful and popular products in each of the main light truck categories – the Chrysler-Dodge Voyager vans, the Jeep Cherokee sports utilities, and the Ford range of pickup trucks, which happen to be the biggest single model line in either the car or truck market.

Why then, with all these factors working in Detroit's favour, are the car manufacturers shares still rated by Wall Street as if a slump were just around the corner? Why do the analysts continue to fret about next year's profits, which Mr Glantz of Montgomery suggests could be down as much as 22 per cent? And why are US industry executives themselves anxiously seeking out sourcing agreements and joint ventures with Japanese rivals, such as the recent Ford-Nissan deal to design a new front wheel drive passenger van?

There are at least three reasons for the disquiet. Most obviously, there is the danger that total demand for vehicles will finally begin to fall after the last four years of exceptionally strong performance. Consensus forecasts, according to the monthly surveys conducted by Blue Chip Economic Indicators, call for 10.1m cars sales in calendar 1989, 5 per cent down on the 10.6m predicted for calendar 1988. A small truck sales decline is also predicted for the first time in 7 years.

A marginal cut in demand of this nature would not on its own be a serious problem for the US carmakers. But in addition to the possibility that the economy could slow much more abruptly than the experts are predicting, there are two further factors muddying the waters for Detroit.

Within Detroit itself, there is the ever-present danger of an internecine price war if General Motors, the limping behemoth of the industry, decides to regain the market share it had lost in the past five years. GM's share of the car market continued to fall in the 1988 model year, to 36 per cent from 37 per cent in 1987. At some point GM is going to dig its heels in against any further decline – and, in the absence of some unexpected coup in product design, this will mean tougher price competition.

The greatest threats to Detroit, however, are still from outside America. Despite the drastic fall in the dollar and all the ballyhoo about US industry's competitive revival, car imports fell by only 1.9 per cent in the 1988 model year, to 3.13m. The bulk of this 60,000 car decline could be attributed to European manufacturers, which have met serious price resistance in passing on the costs of the depreciating dollar. Isuzu and Subaru have also done poorly, but the big three Japanese carmakers have actually increased their market share, despite the yen's rise.

Honda and Toyota in particular appear to have adjusted fully to a yen-dollar exchange rate of 120 or less. They are set to make further inroads on the US market, both through increasingly upmarket imports and "transplanted" American-assembled output. So far only about 500,000 Japanese-designed "transplant" cars are being produced in the US each year. That number will rise by 300,000 in 1989 and will then grow even faster, to reach over 2m by the early 1990s.

With demand likely to remain flat at best throughout this period, something will have to give. And despite this year's vintage performance, that something is all too likely to be Detroit's market share and profits.

PROFILE: FORD

Stunning recovery from near ruin

Donald Petersen: "must remain strong in the auto business"

ONE MEASURE of Ford Motor Company's smashing success: its chairman, Mr Donald Petersen, has appeared on the covers of more than a dozen major US trade and news journals in the past two years.

The question in the minds of many observers today, however, is how permanent is Ford's stunning recovery from near ruin in the early 1980s.

Company officials maintain the scars are deep and the lessons even more deeply embedded from that three year period when it lost more than $3bn and, like Chrysler Corporation, flirted with bankruptcy. Since then, overhead has been slashed by $5bn a year, and similar cuts are envisaged by the early 1990s. The salaried workforce in North America has been trimmed more than 25 per cent, and break-even reduced more than 30 per cent, to a point where most analysts figure Ford could easily withstand the next recessionary trough and even post a modest profit.

Where GM has spent billions on new plants and equipment, Ford's capital expenditures have been more modest as company executives elected to refurbish and extend existing facilities rather than erect expensive "green-field" sites such as GM's sprawling $750m Detroit/Hamtramck assembly plant. Even though Ford has added 500,000 units a year to its North American production capacity, its plants in the US and Europe are bulging at the seams, building at or near capacity for the past 4 years while GM continues to idle or shutter its older factories.

Ford's productivity gains have been impressive too. Not only does it take Ford significantly fewer man hours to assemble a vehicle, its variable profit margin is substantially greater than GM's – an estimated $500-$1000 per vehicle.

The results have been clearly evident in the bottom line: record profits of $3.3bn in 1986 and $4.6bn in 1987 – the latter mark greater than the combined earnings of the entire Japanese and European auto industries.

This year, Wall Street predicts Ford will shatter its own record once again, earning an estimated $5.5bn – the largest profit ever recorded in the industry.

Ford ended the second quarter with more than $10bn in cash reserves, fuelling speculation about potential acquisitions outside its core automotive business. In fact, Ford has spent more than $1bn in recent years to acquire several companies in the finance and electronics sectors, but, as Mr Petersen told shareholders earlier this year, "our primary goal is that Ford remains strong in the automobile business."

With a healthy cash cushion, Ford plans to increase its capital spending, from an average annual outlay of $3bn in recent years to $4bn in 1988 and 1989, and its spending over the next five years on new products, plants and equipment is likely to be the highest in company history.

Among its major projects is a new family of modular four-, six- and eight-cylinder engines that can be produced on the same line in a variety of configurations. Ford has earmarked $1bn to develop and produce the modular engines at a former tractor plant north of Detroit.

Nor will Ford take all the financial risks on itself for future product development. It now buys a sporty front wheel drive compact called Probe from Japanese affiliate Mazda, which assembles the vehicle alongside its own MX6 at a new plant in Flat Rock, downriver from Detroit.

And Ford will spend another $1bn to jointly develop and produce a small luxury van with Nissan near Cleveland in 1991.

The joint ventures, and its willingness to rely on outside partners, are part of the company's new "centres of excellence" strategy, where a vehicle or component is assigned to the group best capable of handling development, no matter where its location.

Mazda, in which Ford holds a 25 per cent stake, has been a principal subscriber to the strategy, supplying Ford with the basic designs for a number of US vehicles, including the Festiva, Tracer and Probe, and it will help engineer the next generation US Escort in 1991.

Dearborn has turned to its European subsidiary to develop a replacement for the Tempo Topaz compacts which will share a platform in 1993 with the next generation Sierra from Ford of Europe, while the successor to the European Scorpio will be engineered in the US and share basic components with the Taurus/Sable replacements in 1995.

Mr Petersen observes: "This strategy will reduce costs by eliminating duplication, improve our responsiveness to the shifting demands and desires of our customers, and shorten the time it takes to bring new products to market."

Ford already has the pulse of the market, pioneering the highly regarded "aero look" in Europe and America with such designs as the Sierra, Scorpio, Taurus, Continental and Thunderbird.

The gamble on a more contemporary corporate design theme, spearheaded (with Petersen's blessing) by Design vice president Mr Jack Telnack, has paid off handsomely in increased sales and market share, particularly in the US.

Ford's share of home market car sales jumped two points in 1987, to 20.2 per cent from 18.2 per cent in 1986, and its share continues to improve this year. Its penetration in the hotly contested light truck market also has inched ahead, although GM has pulled away this year.

While Petersen is profiled in national business publications as one of the top CEOs in American industry, Telnack's superb design work is being acknowledged in more subtle ways: the made-in-America Taurus is now being sold in Europe and Japan, and the Probe will soon follow.

Paul Lienert

The writer is Detroit Editor of the US magazine, Automobile.

PROFILE: GENERAL MOTORS

Long-term prognosis still guarded

HAVING weathered a sweeping corporate reorganisation, a massive investment programme and political skirmishes within its executive ranks in the past year, General Motors Corporation seems finally to have halted a devastating skid in its fortunes. However, the prognosis for the giant car maker's long-term health remains guarded.

Under Roger Smith, chairman, and Robert Stempel, president, GM has made progress on several fronts, notably in reducing overheads and improving profitability. These efforts may not be enough, say critics, to counter what has been a losing battle to regain market share and restore its now tarnished image as the world's pre-eminent car maker.

The Ford Motor Company has earned more than GM for the last two years, and most industry analysts predict the pattern will continue for the next two.

On a positive note, though, GM's turnover and profits were both up in the first half of this year, and Wall Street expects this will be the company's best year since 1984, with a full year profit of nearly $4bn, up about 12 per cent from $3.55bn in 1987. Earnings, however, are expected to fall by 18 per cent next year, to around $3.25bn.

Much of the profit has come from non-automotive operations, such as its financing (GMAC), computer services (EDS) and defence/aerospace (Hughes) subsidiaries, which accounted for 12 per cent of GM's turnover in 1987, but two thirds of its earnings. Also, while overseas operations, particularly those in Europe, have been providing a hint of return, the financial performance of GM's North American operations has been marginal.

For many years the company commanded nearly half of all US car sales, but its share of the home market fell dramatically in the 1980s.

GM's domestic penetration was nearly 46 per cent in 1980 but it had fallen to 41 per cent by 1986, it then shrank another five points to 36 per cent in 1987.

In spite of the introduction, in the past year, of six new models, at a cost of more than $5bn, GM's market share continues to hover at just more than 36 per cent, and it has lost ground to Ford in the lucrative intermediate and luxury sectors.

Analysts say that such new GM cars as the Chevrolet Corsica and Beretta and Pontiac Grand Prix appear to have taken sales from elsewhere in the company, rather than from rivals, whereas newer Ford models, such as the Taurus and Lincoln Continental, have provided additional conquest sales.

GM hopes to strengthen its hand with the launch about now of two restyled luxury cars, the Cadillac de Ville and Buick Riviera, and next spring's debut of the mid-size Chevrolet Lumina, a potential competitor to Ford's big-selling Taurus.

One bright spot for GM has been standard pick-up trucks, a mainstay of the new vehicle market in the US, now accounting for a third of the industry's total sales. GM spent hundreds of millions of dollars last year to overhaul completely its full-size Chevrolet and GMC pick-ups, while Ford opted for a more modest and less expensive facelift of its popular F-series truck, which remains the industry's best seller.

At the end of 1987, GM maintained a narrow lead over Ford in share of total truck sales, 31.5 per cent to 29.6 per cent, but has widened the margin by several points this year, thanks to the strength of its vans, compact pick-ups and sport-utility vehicles.

GM's new cars and trucks are the result of a heavy model investment programme that has seen GM spend upwards of $50bn since 1980. But major spending on new plants and equipment is nearly finished, according to GM executives, who note that capital spending, which peaked at $11.6bn in 1986 will fall to $7bn this year and $6bn in 1990.

GM also has pruned costs considerably under a four-year corporate "action plan" which is expected to reduce overheads by up to $13bn by 1990.

GM slashed $3.7bn in costs in 1987 alone, and expects a further reduction of $4bn this year.

As part of this shrinkage, it has cut 38,000 jobs from its payroll, with another 4,000 to go by the year end.

In spite of these cuts, and other productivity gains, GM remains the industry's high-cost producer; Ford is the lowest.

Another positive sign is management's new spirit of co-operation with the UAW (United Auto Workers), which is working closely with GM to trim costs and improve productivity, particularly at the car maker's component divisions, to make them more competitive with offshore parts producers.

These and other efforts must pay off and soon if GM is to deliver on chairman Smith's promise that a new era of "teamwork and technology" has started in Detroit.

Paul Lienert

Under Robert Stempel (left), President, and Roger Smith, chairman, GM has made progress on several fronts

US car imports

Appetite for European luxury turns sour

AMERICANS' seemingly insatiable appetite for sophisticated, technically-advanced West European cars allowed their makers to cream fat profits from the US market for much of the 1980s. The situation has now turned sour for the Europeans, and looks like becoming sourer yet.

Up until two years ago, the dollar was strong, allowing a large profit on every, by-definition expensive, unit sold.

Competition in this, by far the world's largest market for luxury and sports cars, was mainly among the Europeans themselves. Domestic US manufacturers appeared stuck in a time-warp with luxury car products which lacked the technicalsophistication and cachet of their European rivals. Cadillacs might still appeal to the well-heeled Mid-West conservative; but they were of very restricted interest to the burgeoning ranks of middle-class sophisticates of the East and West coasts.

The long march up-market of Japanese car makers had reached the lower slopes of executive and sports car land, but had yet to challenge the heights occupied by Mercedes, Jaguar, BMW and their ilk.

And even when the dollar started to slide, such was the apparent devotion of North American buyers to European cars that their manufacturers, led by the West Germans, seemed able simply to keep on raising prices to compensate with little sign of a consumer rebellion.

Luxury import sales in US

	1988 *	1987 *		1986	1985	1984
Total US Market	6.4m	6.03m	10.23m	11.46m	11.04m	10.39m
Acura	84,815	70,155	109,470	52,869	–	–
Audi	16,601	32,143	41,322	59,797	74,061	71,237
BMW	47,262	58,915	87,839	99,314	87,832	70,897
Jaguar	13,061	14,148	22,919	24,464	20,528	18,044
Mercedes	57,745	60,003	89,918	99,314	89,098	79,222
Porsche	11,390	17,013	23,632	30,471	25,306	20,024
Saab	26,876	31,498	45,105	48,181	39,068	33,631
Volvo	68,015	80,951	106,539	113,267	104,267	99,541

* First 8 months

Source: Vehicle Manufacturers Association

Last year, however, consumers at last started digging in their heels. The response to a 25 per cent price increase by Porsche last year, for example – following hefty rises during 1986 – was a plunge in sales from 30,471 to 23,632, and an even sharper fall so far this year (see chart).

All the European producers have experienced falls, although their precise extent varies.

In these circumstances, and in the wake of the collapse on Wall Street and in other stock markets last October, it has been all too easy for Europeans to get the impression that it is the US luxury car market itself that has collapsed.

This is simply not true. It is down slightly, but is still around the 1m units mark and both Ford and General Motors have been enjoying a sales resurgence with some of the new models under their respective Lincoln and Cadillac marque names.

The explanation is not too difficult to find. Several years ago, a typical US-produced luxury car cost $26,000 and its closest Jaguar or BMW equivalent $30,000 or slightly more. Today, the US-built car still costs only around $27,000, whereas the cheapest Jaguar is costing about $43,500 and a 7-series BMW $50,000. "It's the opening up of this price gap which is probably the biggest single factor behind the European manufacturers' problems", one Jaguar executive admits.

Jaguar's US sales for the first nine months of this year are down 9 per cent, to 14,913 from 16,340. A few weeks ago, chairman Sir John Egan was obliged to disclose first-half pe-tax profits which had more than halved to £22.5m. He blamed the weakness of the US dollar almost entirely – "every 10 cents off the dollar is costing us £35m at the bottom line".

Mercedes has fared somewhat better, but at the expense of overt sales incentives schemes recognised as potentially prejudicial to its prestigious image.

Other problems than the dollar, however, have been helping further to tarnish the Europeans' image.

Jaguar, for example, saw its rating in the closely-studied JD Power Consumer Satisfaction Index of car models slump from equal eighth place with Nissan last year to 18th.

And Audi, whose sales so far this year are half those of the 1987 period, is still involved in court battles over allegations that automatic versions of some of its cars could accelerate unexpectedly. Irrespective of the merits of the arguments, it has offered rebates to some 345,000 Audi owners.

What, for the Europeans, is the most dismaying evidence that the sales problem is theirs alone is provided by sales of the Legend luxury car sold by Honda in the US under the Acura name. Legend sales were up by nearly 50 per cent in the first eight months of this year, compared with a year ago, to 45,059 from 32,377. Total Acura sales, including the smaller Integra, were also up sharply (see chart).

Sir John Egan of Jaguar: "every 10 cents off the dollar is costing us £35m on the bottom line

Not only is the Legend priced at US luxury car levels, it is only the forerunner of a range of luxury cars planned for the US market.

Toyota and Nissan are well advanced with setting up dealer networks throughout the US for the launch of their respective Lexus and Infiniti luxury car ranges next autumn. Each range includes large, luxurious models with V6 and V8 engines to tackle BMW 's 7 Series, for example, and their other European equivalents.

Disconcertingly, the Japanese manufacturers have let their broad pricing intentions be known far in advance of the launch of the cars. Each says its V6 models will sell at around $20,000 and its V8 models at $30,000-$35,000.

For the larger luxury car sector, the latter is squarely in the middle of what might be termed the "resentment gap" which has opened up between US and European luxury car prices. Given the Japanese vehicle industry's long record of creating markets first and worrying about profits afterwards, this is seen by some observers as no accident.

The $20,000 V6 strategy is seen as no less threatening to smaller, cheaper Mercedes, BMW and Swedish models. Indeed, according to Pennsylvania-based analysts Integrated Auto Resources, "we expect the Japanese manufacturers to take BMW substantially out of the $25,000 to $30,000 bracket".

John Griffiths

China: Lynne Curry on a sector spurred by buoyant demand

Courting foreign investors

SPURRED BY growing consumer demand, China has adopted an ambitious strategy to expand, dramatically, its domestic automobile industry and become a major exporter to the world market.

"The proportion of cars in total motor vehicle output will rise from this year's 5 per cent to 40 per cent by the end of this century," said Chen Zutao, chairman of the China National Automotive Corporation (CNAC), talking recently to the official Xinhua News Agency.

CNAC is the industry's planning agency. Annual car production nationwide is expected to reach 33,000 cars this year, Mr Chen told Xinhua.

But to satisfy current demand, several hundred thousand new cars need to be produced annually, a goal the country's motor industry will have serious problems in achieving, foreign analysts say.

A central element in Peking's attempt to expand production is encouraging participation by foreign manufacturers in licensing and joint ventures at key industrial centres throughout China.

In an effort to curb imports of foreign cars and to consolidate investment and technology, the State Council, the country's top decision-making body, last year targetted three factories as automobile production centres: the No 1 Automobile Works at Changchun in Jilin province, the No 2 Works at Shiyan in Hubei province, and the joint venture factory in Shanghai being operated in partnership with Volkswagen. By the year 2000, these factories between them hope to produce 700,000 cars annually, CNAC's Mr Chen told Xinhua. All three plants are intended to have joint ventures with foreign partners, with the aim of eventually become major international car manufacturers.

"Only by joining up with outside technology are the Chinese able to pull off launches and the development of new products," said one industry source.

The main foreign players involved in the fledgling passenger car market are Audi, Volkswagen, Chrysler, Peugeot, Daimler-Benz, and Daihatsu.

The No 1 autoworks in Changchun, most famous for its production of Red Flag limousines, which transports officials behind drawn curtains, signed a technology licensing agreement in August with Audi of West Germany to make 30,000 Audi cars with Chrysler engines by 1992.

The first cars, which are already allocated, will be ready for distribution at the end of October. The factory's eventual target is to produce 150,000 cars a year by 1995. The No 2 Autoworks in Hubei is still reportedly negotiating with General Motors and Citroen on a joint venture agreement. Known largely for its large scale truck production, the Chinese plant is said to want a feasibility study completed by either one or both of the companies, with a view to signing a contract in the first half of 1989.

Fuji Heavy Industries, which was also one of the final bidders at Shiyan, is reportedly no longer in the running. According to one source Fuji could not guarantee the factory would be able to export most of its output.

The Shanghai Volkswagen automotive company, a joint venture established in 1985, has already begun turning out the Santana VW, producing about 10,400 last year with 15,000 scheduled for this year and 150,000 cars a year by the mid-1990s.

In addition, Peugeot of France and Chrysler from the US are involved in joint venture products. But observers say they are unlikely to receive large amounts of state funding.

The Beijing Automobile Works is urging Chrysler Corporation to expand its investment in its joint venture, the Peking Jeep Corporation, and recently sent a delegation, accompanied by other government officials, to the US to discuss the issue.

Chrysler and the Chinese jointly produce about 4,500 Cherokee jeeps and approximately 26,000 more conventional jeeps each year. The factory hopes to step up its production to about 100,000 vehicles a year by the mid-1990s.

The Peugeot factory near the southern coastal city of Guangzhou (Canton) last year produced about 8,000 pickup trucks and station wagons and is understood to be planning to export about one-third of its eventual output of 30,000 vehicles.

Although Japanese cars, especially Toyotas, dominate the roads in China, a reported reluctance to part with sophisticated technology has discouraged the Japanese from investing in the Chinese passenger car industry. The only exception is the Tianjin-based plant which jointly produces the Japanese Daihatsu van.

In addition, wholly Chinese-owned car makers are planning to increase output and modernize their vehicles. The Red Flag limousine, which was not produced for several years and of which 1,500 have been made since 1958, is being updated and its output expanded - as is the old-fashioned Shanghai sedan.

For most foreign car makers in China, obtaining high quality locally-made components is a critical stumbling block to expanding production. This problem is further exacerbated by the requirement that joint ventures gradually increase the amount of domestically made components each year.

The difficulties which can result were underscored by a well-known episode involving the Peking Jeep Corporation. Unable to convert its cash from renminbi into foreign exchange certificates to buy spare Cherokee jeep parts, the company reportedly needed the intervention of a vice premier to get around currency exchange regulations and acquire the necessary components.

So difficult is it to find high quality Chinese parts that the People's Liberation Army reportedly sends its own team to inspect parts purchased for military vehicles.

Poor roads, insufficient gas stations, and shortages of raw materials, especially steel, are further obstacles to expanding production.

Despite the difficulties, some smaller, more flexible market-oriented Chinese car manufacturers, inspired by South Korea, are actively exploring how to increase their capital, productivity, and export capability, analysts say. One light truck and sedan maker located in north-eastern China, the Shenyang Gold Cup automobile works, has sold several hundred thousand shares denominated in renminbi and is said to be discussing how to float a $4m share issue targeted at foreigners.

However, according to some industry sources, these smaller organizations lack the financing, skilled manpower, and consistent quality to expand internationally.

China's determination to build up its own industry is reflected in its protectionist import regulations. To encourage the development of its domestic industry and prevent Chinese organizations from spending hard currency on foreign cars - a practice that led to major scandals just three years ago - Peking has imposed stiff penalties on imported automobiles. Tariffs on all foreign cars are high, ranging between 120 and 160 per cent of the purchase price.

Despite the high duties, demand continues to soar, primarily from Chinese companies, and cars — even domestically manufactured — are far too expensive for most individuals. With a recent call by CNAC for even tighter import regulations, imports are likely to remain tightly controlled, but until local production reaches the government's ambitious long term target levels, demand for imported cars is unlikely to be staunched.

Santana production line at the Shanghai VW joint venture plant

World car production forecasts

Figures in '000s

	1987†	1988‡	1989‡	1990‡	1991‡	1992‡	1993‡
WESTERN EUROPE							
West Germany	4,374	4,348	4,087	4,134	4,205	4,285	4,313
France	3,052	3,172	2,947	3,016	3,114	3,185	3,125
United Kingdom	1,143	1,194	1,202	1,265	1,336	1,354	1,363
Italy	1,713	1,858	1,804	1,815	1,810	1,786	1,810
Spain	1,403	1,464	1,370	1,379	1,482	1,413	1,450
Netherlands	125	127	133	137	142	146	143
Belgium	277	292	254	224	225	258	268
Sweden	432	404	409	423	438	448	461
TOTAL WESTERN EUROPE	12,518	12,858	12,205	12,393	12,752	12,876	12,932
% Change	5.9	2.7	−5.1	1.5	2.9	1.0	0.4
United States	7,146	6,750	6,522	6,623	6,769	7,011	7,470
Canada	811	760	770	869	902	920	958
TOTAL NORTH AMERICAN	7,957	7,984	7,571	7,859	8,016	8,017	8,170
% Change	−9.5	0.3	−5.2	3.8	2.0	0.0	1.9
Japan	7,891	7,959	7,697	7,638	7,673	7,816	7,842
% Change	1.0	0.9	−3.3	−0.8	0.5	1.9	0.3
Australia	310	336	357	360	355	356	368
Taiwan	175	196	210	217	236	254	274
South Korea	790	912	1,142	1,275	1,423	1,539	1,655
Peninsular Malaysia	25	36	41	62	73	80	84
India	148	175	180	190	201	205	212
South Africa	190	220	222	226	228	234	240
Mexico	277	380	495	593	645	625	622
Brazil	683	759	831	819	923	943	970
Argentina	166	154	142	164	180	193	195
Eastern Bloc	2,495	2,534	2,605	2,663	2,745	2,829	2,883
% Change	4.3	1.6	2.8	2.2	3.1	3.1	1.9
WORLD TOTAL*	33,157	34,051	33,262	34,018	35,004	35,507	35,997
% Change	1.3	2.7	−2.3	2.3	2.9	1.4	1.4
*Excludes							
Double Counting							
Within Europe	435	440	426	429	436	451	443
Europe/US	25	0	0	0	0	0	0
Europe/Canada	10	10	11	11	12	10	10

† Actual
‡ Forecast

Source: DRI Europe

ARGENTINA

A stagnant sector

ARGENTINA'S domestic oriented vehicle manufacturing industry is experiencing a severe economic recession. Sales slumps and lay-offs are the most immediate manifestations of its difficulties but there are few signs of an upturn in the near future.

The industry's stagnation reflects, and is part of, an overall gloomy picture for Argentine industry at the moment, and compares very unfavourably with the situation in the country's large neighbour, Brazil.

The Argentine industry has insignificant exports. In the first 7 months of this year, only 444 vehicles were exported, or less than 1 per cent of total volume. Imports are an equally tiny proportion, due to prohibitive duties.

Yet in world terms, Argentina is a relatively developed automobile-using nation with, in 1986, 5.7 people for every car on the road, which puts the country 17th in the international league table.

But the industry — as the economy generally — has a long way to go before it returns to the relatively rich days of the mid 1970s. Between 1969 and 1980 total annual sales were well over the 200,000 mark; since 1980 that figure has dropped to an average 158,000. Since the 1970s production has dropped by 40 per cent. 1974 was the record year with 322,410 vehicles leaving the factory gates. Up to September 1988 sales had declined by 6.6 per cent in comparison with the same period for 1987. Manufacturers had a total of 2,100 unsold vehicles in stock in August this year, with a market value of US$18m.

The Argentine car manufacturer faces considerable odds on several fronts. A car is expensive relative to disposable income for the average Argentine, with the basic Renault 12 model retailing at around £5,000. For middle and lower income groups, currently struggling to make ends meet, it is a luxury item. Fuel costs are now relatively high and take a greater slice out of the average domestic budget than in the US.

In contrast, manufacturers have traditionally geared themselves to serving a relatively affluent population, producing large gas-guzzlers without too much concern for national average purchasing power. Low sales volume, high raw material costs, high taxes, the high cost of capital and, above all, the shrinking purchasing power of consumers have all led to a slump in the market.

These factors have also discouraged major investment in automation; a number of plants operate with equipment far surpassed by international competitors.

Market share is roughly divided three ways, between Renault, Autolatina and Sevel. Together, they dominate 95 per cent of sales, with smaller companies competing for the remaining 5 per cent. Autolatina, a merger of Ford and Volkswagen, hopes to achieve increased sales to neighbouring Brazil by concentrating on production of upper-range models. Renault and Sevel (which makes Fiats and Peugeots under licence), are placing their hopes on building and selling smaller and more economic cars than Autolatina.

This year the Renault 12 is by far the largest seller, with more than 13,000 sold in the first eight months of the year, giving a 13 per cent share of the market. Second place goes to the Peugeot 504 with 10,000 sold, and third to the Fiat Spazio, with 8,000 sales.

Drop in sales volume has meant several manufacturers laying off workers for weeks at a time. Autolatina suspended work for 5,000 employees, on full basic pay, for three weeks at the end of September. Mercedes-Benz announced a similar suspension for almost 2,000 workers during the same month.

Some industrialists have predicted that between August and the end of 1988 production will be cut by 30 per cent. The main union in the industry, SMATA, has stated that it will take industrial action to recover wages lost as a result of the lay-offs. But all the signs are that the automobile sector is just the most immediately obvious casualty of a serious stagnation in the general Argentine economy.

Gary Mead

John Griffiths charts Europe's tortuous efforts to establish common exhaust emission standards

Tougher anti-pollution deal in tatters

THIS MONTH should have provided a landmark of sorts for harmonisation within the European Community.

It is the month in which it was agreed, back in 1985 and after months of ill-tempered negotiations, that a new and tougher regime to reduce pollution from car exhausts would start to come into effect throughout the Community.

Broadly, the "compromise" reached at that time provided for:

● All new model cars of over 2 litres produced from this month to be capable of meeting tougher restrictions on the amounts of carbon monoxide, hydrocarbons and carbon monoxide they could emit. The restrictions are sufficiently tough to require the fitment of the catalytic converter systems through are mandatory in North America and Japan.

● All new cars of over 2 litres produced from next October (thus including production of current model ranges) to be capable of meeting the same standards.

● Cars of 1.4 to 2 litres to meet tougher standards – but not as restrictive as those for over 2 litre cars – by October 1991 for new models and October 1993 for all production. In this category, new "lean-burn" engines plus a simple oxidation catalyst may suffice on many models.

● Cars of under 1.4 litres to meet stiffer standards – but more lenient yet than those for medium-sized cars – by October 1990 for new models and October 1991 for all new production.

While some countries, like West Germany and Denmark, were dismayed by the perceived leniency of the standards for this sector, manufacturers in France, Italy and the UK – major producers of small cars – were left chuckling all the way to their engine test cells. In most cases, the new standards could be met by making minor adjustments to existing models, let alone changing the design of those still in the development pipeline.

Subsequently, however, this much-lauded 1985 "compromise", has turned out to be more full of holes than a well-rusted exhaust system.

It, and the European Commission's subsequent decisions on the issue, have left individual countries progressing towards "cleaner" cars at several different speeds, and in a smog of confusion which has already had a discernible distorting effect on demand patterns in, notably, West Germany.

One fundamental flaw of the 1985 compromise – but without which no agreement would have been possible – is that the legislation was, and remains, "permissive".

Individual governments could decide for themselves whether and when to implement the standards. The hope was that they would fall into line with the spirit of the legislation, and that, even if they didn't, manufacturers themselves might rationalise each model's production around the standards demanded in influential "progressive" markets like West Germany, which has come under strong environmentalist pressure over its dying forests.

Neither hope has been realised.

At one end of the scale, almost immediately after the 1985 compromise West Germany began offering tax incentives to buyers willing to switch to environmentally "cleaner" cars fitted with catalysts.

The only problem was, while West Germany, Austria and other like-minded countries had well-developed supplies of unleaded petrol on which "catalyst" cars must be run (leaded fuel poisons catalysts, rendering them ineffective), there was little immediate sign of adjoining countries rushing to comply with another part of the "compromise" – that unleaded fuel be widely available throughout the EC by October, 1989.

Fearful of buying cars with which they might be confined to their home country, they opted in droves for another form of "clean" car instead, the diesel.

It is indicative of the many minor confusions surrounding the emissions issue that few people seem to understand that "catalyst" cars can be filled with two or three tankfuls of leaded fuel, and run several hundreds of miles without undue ill-effect provided the use of unleaded fuel is then resumed.

Most people also fail to realise that while diesels themselves may be "cleaner", in terms of emissions of nitrogen oxides and carbon monoxide, adjoining countries rushing to comply with another part of the forests, they produce dirty particulate emissions, for which reduction standards are still being drawn up.

More recently, as unleaded fuel availability has spread, West German buyers have begun switching wholesale to catalyst cars – nearly 50 per cent of sales are now of "cat" cars – and as a consequence the the diesel boom has collapsed.

At the other end of the scale, the UK has announced that it is adopting the standards of the 1985 compromise. But it will not be introducing them until 1991, for even the over-2 litre category.

Within the past three months more serious splits have opened up as a result of some of the issues still left unresolved by the 1985 agreement.

This provided for a mid-1987 review of the standards for under 1.4 litre cars with a view to making them tougher at a later stage if this appeared to be warranted.

The review had the potential for serious confrontation if a much more restrictive "second stage" was sought, for the simple reason that if it meant using full catalyst systems, costing £400 a unit or more, it would have a far more dramatic impact on the price of small, cheap cars than on larger cars.

Although the review was much delayed, EC Environment Ministers surprised even themselves by initially reaching a majority agreement in June this year on a second stage, to become effective for new models in 1992 and all production in 1993. Under this second stage under-1.4 litre cars would have to emit no more than 8 grammes per test cycle of a combination of nitrogen oxides and hydrocarbons and 30 grammes per test of carbon monoxide.

That compared with the first stage limits of 15 grammes and 45 grammes respectively, plus a specific limit of 6 grammes per test for nitrogen oxides.

The compromise, yet again, was a grudging one. Denmark, West Germany, the Netherlands and Greece wanted stiffer standards. France, the UK and Italy argued for a more relaxed regime.

Ominously, the standards seemed likely to require significant numbers of small cars to take the catalyst route.

By July, the latest compromise was coming under full-frontal attack from Mr Jacques Calvet, chairman of France's Peugeot group. Coupling it with fierce criticism of Green political parties, he declared the compromise to be "the worst possible proposal that could be imagined". He was not against fighting pollution, "but I am against demagogy", he declared.

The new standards, he insisted, would only further demoralise car engineers developing new products. Moreover, Dutch and Danish plans to introduce their own fiscal incentives to speed introduction of the new standards would, he claimed, further distort the market and compromise the single European market concept.

At first, French state-owned Renault indicated that it felt the probable 5 per cent rise in prices to be expected from the new standards was acceptable.

But by the beginning of this month the storm had broken. France withdrew from what had in any case been only a minimum nine-out-of-twelve majority compromise, leaving the qualified majority agreement in tatters.

Over the coming months, Commissioners and other EC officials will try and pick up the pieces. Even if they do patch together another compromise on the standards themselves, there is yet another major hurdle still to be faced.

For there has yet to be agreed a revised driving test cycle to which the standards need to be applied.

The current test cycle bears little relevance to modern-day driving conditions in Europe, having an average speed of 12 miles per hour and a maximum of 31mph.

A revised cycle really needs to take account of motorway driving conditions and thus incorporate a high-speed segment, and it is at high speeds that emissions become increasingly difficult to control without the use of a catalyst.

Chemicals group Johnson Matthey, one of the world's biggest catalytic converter producers and thus with a heavily vested interest in the issue, says it believes that it this point it may well be impossible for many engines to meet the standards without "cats".

The belief that this may prove the case seems to lie behind M Calvet's outburst, which may yet draw more support from other producers.

Peugeot is now an environmentalists' target, with the UK's Friends of the Earth movement calling for a boycott of Peugeot's products and for a "day of action" on November 5 in which 230 FoE groups will picket Peugeot dealerships.

It is of some minor consolation that good progress is now being made to reduce at least one pollutant, lead itself, throughout Europe.

Lead in the atmosphere is an undisputed retarder of children's mental development and a potential killer. Many thousands of tonnes – 3,000 in the UK alone – are pumped out by car exhausts each year.

Despite widespread misperceptions to the contrary, there is no link between lead and the other exhaust pollutants, except for the fact that catalyst-equipped cars need to use unleaded petrol.

Traditionally lead has been used to improve petrol combustion and prevent damaging engine "knock" by increasing the fuel's octane ratio. Modern refining methods mean that it is no longer necessary.

Most cars now in production are capable of running on either leaded or unleaded fuel, with or without minor modification. In the UK, about 70 per cent of all cars on the road fall into this category and the UK Petroleum Industry Association reckons that between them these motorists could save pounds £3m a week by using unleaded fuel, which is currently some 5p a gallon cheaper than leaded four-star.

Some cars cannot be modified – some very high performance machines and older ones which would need valve seats and possibly other components hardened.

There is already 100 per cent availability of unleaded petrol in West Germany and even in hitherto laggard markets like the UK, 20,000 petrols stations are expected to be offering it for sale by the end of this year.

Unleaded petrol: even in the UK, 20,000 petrol stations due soon to be offering it for sale

Space to drive: road availability, 1986

Selected countries	Total length of road (1000km)	per person (metres)	Expressways (km)	Length of paved roads per vehicle (metres)
United States	6,214	25.9	81,678	32.6
France	805	14.5	6,265	30.4
United Kingdom	348	6.0	2,838	18.1
W.Germany	491	8.0	8,350	17.5
Japan*	1,127	9.0	4,280	14.1

* as of April 1986

Source: IRF World Road Statistics, 1987

INDUSTRIAL RELATIONS

Qualitative flexibility

TWO QUESTIONS will dominate labour relations in the motor industry in the next few years.

The first is how to maintain the momentum of recent years towards introducing more flexible working practices, remoulding the organisation of work around new technology, and meeting the demand for high quality and product differentiation.

The second is more difficult. After the productivity gains of the past few years, achieved through reductions in manpower and new working practices, where will the next generation of productivity gains come from?

It is now clear where labour relations in most UK motor manufacturers are heading.

Shopfloor workers will be expected to become more flexible, both around their plants and between tasks. Production workers are increasingly being urged to take on wider responsibilities, beyond their immediate tasks. These include quality control, managing the flow of work to their work stations, and simple routine maintenance.

But there there is still someway to go. Jaguar, the luxury car maker was recently hit by a strike over transferring workers around its plant. At Austin Rover, the company and the unions are about to renegotiate a quality bonus introduced two years ago which stressed the look of *products at the expense of* their performance.

Among skilled workers there will be further moves towards multi-skilling. Ford, for instance, has recently unified its separate apprentice training schemes into a single programme. The aim is to establish a single multi-skilled grade of skilled worker.

Workers will be increasingly asked to work in teams, within which they will be more interchangeable. These teams are likely to have some degree of autonomy from supervisors.

Austin Rover, for instance, plans to extend its experiment in cell manufacturing. Ford is introducing work teams in which there may be some flexibility between skilled and unskilled workers.

Most companies are attempting to improve and extend the way they communicate with their workers and to introduce forms of employee involvement to cover quality and production problems.

However some big obstacles will have to be overcome if car companies are to fully realise the productivity gains of more flexible production and work organisation.

While in the early 1980s personnel managers' main task was to abolish outmoded demarcation lines to raise productivity, the target in the next few years will be to introduce more qualitative changes.

The first main obstacle is the established role of the shopfloor supervisor or foreman. Traditionally the foreman enforced the rules which regulated the strictly demarcated division of labour on the production line. But with the shift to more flexible forms of working and team working, the foreman's role has to change.

The old Ford motto that "workers want money and need discipline" no longer applies. The kind of high quality productivity that companies want from their workers requires supervisors to become motivators, rather than administrators.

The introduction of team working is leading companies such as Ford to introduce team or group leaders recruited from the shopfloor. They will carry out many of the routine tasks previously performed by supervisors. The supervisors in turn are expected to become more like mini-managers on the shopfloor.

Supervisors' unions in the UK fear their members' interests will be squeezed. There are likely to be more redundancies as the number of supervisors decline. Traditional white-collar jobs are being taken by manual workers who have become team leaders.

The transformation of the supervisor's role will be crucial to future productivity gains to ensure as much as possible is made of the more flexible working practices which are now available.

The second major change which will be required involves team working. Most companies which have introduced team working and group problem solving find that special forms of training is necessary for the *method to be effective*. Workers, bred by a culture of a strict division of labour, do not automatically know how best to work in teams or to take joint decisions. The introduction of team working is not just a change in production, it is a dramatic change in the culture of work and the relations between workers.

Third, there remain in most companies some major demarcation lines which will have to be eroded if greater flexibility is to be introduced in the future. Most companies have abolished the lines which used to separate electricians from mechanics, welders from fitters. But in most car plants there remain two great demarcation lines: between production workers and indirect, maintenance workers, and between manual workers and white-collar workers.

It is by no means certain that companies will want to move in this direction. Just as they need flexibility, so they need specialisation.

However, to achieve greater flexibility at their plants it is these demarcation lines which will have to be eroded. This will require the introduction of harmonised terms and conditions for blue and white-collar workers to ease their interchangeability. Not only can harmonisation prove to be very expensive, it can also go badly wrong. Talks at Austin Rover, for instance, which began two years ago, have failed to agree on a common pay structure for all workers. The manual unions are now so suspicious of the idea that they have dropped it from their claim. Talks at Ford over the introduction of a common pay structure have got off to a shaky start, with blue and white-collar unions refusing to negotiate jointly.

Finally, the development of new technology production processes and the importance of quality and product innovation will require changes in approaches to training. Car companies will remain strong customers for semi-skilled labour, but in future they are likely to require more skilled workers, more capable and willing to be retrained.

Charles Leadbeater

COMPONENT SUPPLIERS

Pressure to adapt grows

INEVITABLY, COMPONENT suppliers are among those most closely caught up in the strategic restructurings of the world's vehicle makers.

Whether component companies are headquartered in Europe, the US or even Japan, the pressures on them to adapt to change, increase their expertise, cut costs and invest more heavily are relentless and taking many forms.

For example, with the high yen and Japanese vehicle makers shifting ever more production offshore, Japan's components sector has felt itself to have little choice but follow suit.

Thus already there are dozens of Japanese-owned component makers ringing the Japanese "transplant" car and commercial vehicle production facilities of the US. The first tentative landing parties in Europe have also begun to dig in, catering initially for some of the needs of Nissan, both at its Sunderland cars plant in the UK and Nissan Motor Iberica, its majority-owned facility in Spain where light commercial and four-wheel-drives are currently produced – as well as for the collaborative projects of Honda and Rover.

With Suzuki and other Japanese vehicle makers now also seriously examining projects to start making cars within the single European market intended to exist post-1992, a much more extensive Japanese component industry presence – as in the US – is also clearly in prospect.

Given undisputedly high Japanese productivity and quality standards, the threat to European component producers is an obvious one – as, however, are the opportunities.

For example, it remains far from clear how the current row raging between France and the UK over French refusal to admit UK-assembled Nissan Bluebirds as "European" will resolve itself.

Current EC rules define a product as "European" if the last substantial manufacturing process took place within the Community (even a much-quoted 60 per cent "local" content level for acceptability has no formal standing).

But it is by no means impossible that an 80 per cent EC content requirement could be established as part of legislative framework for 1992.

Experience to date with Nissan's UK plant, to which several dozen UK and Continental companies are already suppliers, indicates that there should be plenty of opportunities for the more alert and competitive European component makers.

In any case, change imposed by the European vehicle makers themselves are already requiring suppliers to become much more competitive or, as has been happening, fall by the wayside.

One major change is a requirement for component makers to work much more closely with the vehicle maker from the vehicle's initial design stage. Increasingly, car makers are showing the supplier where components have to fit, what performance, durability and cost criteria it has to meet – then leaving the component maker to get on with it.

It is a system offering a future only to those component makers prepared to invest in the engineers, designers and computer systems which provides them with their own extensive research and development capabilities.

The rewards, however, can make the investment worthwhile in the form of much longer-term supply contracts, in which the probability is that the component maker will be the sole supplier.

These contracts also hold out the prospect of being in larger volume and more international than in the past – provided again that the component maker is prepared to make other investment which may be necessary.

For example, only a few weeks ago Mr Alan Spencer, Ford of Europe's vice-president for supply, disclosed that Ford needed to move much closer to Japanese vehicle makers' levels of just-in-time inventories. Ford's relatively modest target is less than half a day, compared with its current average of slightly over one day – and two hours or less at Japanese plants.

This meant that over the next five years some key suppliers would have to set up "clone" production plants close to some or all of Ford's European factories, warned Mr Spencer.

The news was greeted with relative equanimity by larger component makers such as Robert Bosch of West Germany and GKN of the UK, who are already multinational in their operations.

But even the "Europeanisation" of what, until fairly recently, was primarily a motley array of national industries inside Europe, is already starting to appear potentially inadequate in the face of progress towards globalisation by US and Japanese producers.

The initial attempts to produce "world cars" at the end of the 1970s – GM's J-car and Ford's Escort – were a partial failure in that many changes in the end were required to suit individual markets.

But it did allow the big US producers to set up large-scale production of at least some core components for use world-wide. And now, with much more experience under their belts, they are looking once again to design a common range of cars to be built world-wide.

As just one illustration, Ford US is designing and developing the replacement for the European Granada/Scorpio, while Ford of Europe is doing the same for the Sierra's successor. The end products will mark a return to the "world car" concept.

Clearly, those component suppliers who manage to become a part of this matrix stand a good chance of their long-term futures being well secured.

Yet other restructuring forces are at work in the components sector.

The vehicle makers themselves, for example, have been buying up companies which they perceive as being capable of meeting technology or component needs, or even broadening the base of their activities. Thus the acquisition by Daimer Benz of electronics group MTU and aerospace concern Dornier, and Fiat of Italy's 55 per cent stake in Magneti Marelli.

This broadly-based components group in the past three years has expanded itself into a pan-European supplier, partly through making its own acquisitions, including Lucas Industries' vehicle lighting operations. Mr Alessandro Barberis, Magneti's chief executive, acknowledges that the European industry – vehicle makers as well as component suppliers – is facing a very strong challenge from the Japanese and US industries, particularly if, as is widely expected, significant numbers of cars are shipped to Europe from Japanese "transplants" in the US as well.

Most European component makers are still too small to tackle it successfully, he warns. "In Europe it is still only Bosch which has got the really big dimensions of scale. However, we are now working towards it".

Lucas itself has been undergoing its biggest restructuring for many years in terms of its automotive operations. Under Mr Bob Dale, managing director of Lucas Automotive, motor components have been reorganised into six divisions – all, like its engine systems divisions – tailored to attack high-value, "hi-tech" sectors of the market.

In predicting that the electronics content of a car will rise to around 24 per cent of its manufacturing cost by the end of the 1990s, Dr Peter Walzer, Volkswagen's research chief, suggests that car makers might grow increasingly resentful of the fact that given the current components supply structure, much of the added value in such cars will be going not to them but suppliers like Robert Bosch.

This situation could be exacerbated by the fact that the electronics themselves control systems – such as anti-lock brakes – where much of the other hardware also comes from external suppliers.

So any sharp reversal of the current trend of vehicle makers to source more from outside could provide yet another major headache for independent suppliers as the 1990s progress.

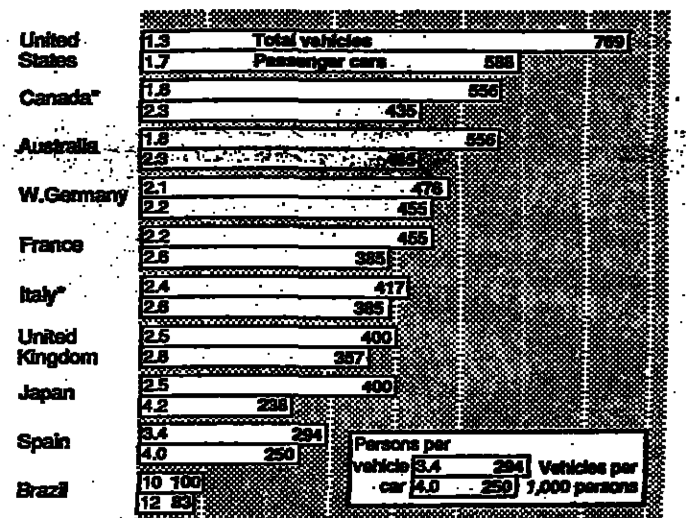
What is certain is that pressures on component suppliers can only intensify. As Mr Ian Gibson, deputy managing director of Nissan Motor Manufacturing (UK) points out, the time gap between new models, particularly among Japanese producers, is descending rapidly towards three years, requiring a faster pace of development for new components.

The good news, however, is that "a policy of very long term supplier relationships is essential. You can't keep asking somebody new to design your product with you every two or three years".

John Griffiths

Motor vehicles per head, 1986

Selected countries



*Estimate

Source: SMMT; The Motor Industry of Great Britain, 1987

John Griffiths charts Europe's tortuous efforts to establish common exhaust emission standards

Tougher anti-pollution deal in tatters

THIS MONTH should have provided a landmark of sorts for harmonisation within the European Community.

It is the month in which it was agreed, back in 1985 and after months of ill-tempered negotiations, that a new and tougher regime to reduce pollution from car exhausts would start to come into effect throughout the Community.

Broadly, the "compromise" reached at that time provided for:-

● All new model cars of over 2 litres produced from this month to be capable of meeting tougher restrictions on the amounts of carbon monoxide, hydrocarbons and carbon monoxide they could emit. The restrictions are sufficiently tough to require the fitment of the catalytic converter systems which are mandatory in North America and Japan.

● All new cars of over 2 litres produced from next October (thus including production of current model ranges) to be capable of meeting the same standards.

● Cars of 1.4 to 2 litres to meet tougher standards – but not as restrictive as those for over 2 litre cars – by October 1991 for new models and October 1993 for all production. In this category, new "lean-burn" engines plus a simple oxidation catalyst may suffice on many models.

● Cars of under 1.4 litres to meet stiffer standards – but more lenient yet than those for medium-sized cars – by October 1990 for new models and October 1991 for all new production.

While some countries, like West Germany and Denmark, were dismayed by the perceived leniency of the standards for this sector, manufacturers in France, Italy and the UK – major producers of small cars – were left chuckling all the way to their engine test cells. In most cases, the new standards could be met by making minor adjustments to existing models, let alone changing the design of those still in the development pipeline.

Subsequently, however, this much-lauded 1985 "compromise", has turned out to be more full of holes than a well-rusted exhaust system.

It, and the European Commission's subsequent decisions on the issue, have left individual countries progressing towards "cleaner" cars at several different speeds, and in a smog of confusion which has already had a discernible distorting effect on demand patterns in, notably, West Germany.

One fundamental flaw of the 1985 compromise – but without which no agreement would have been possible – is that the legislation was, and remains, "permissive".

Individual governments could decide for themselves whether and when to implement the standards. The hope was that they would fall into line with the spirit of the legislation, and that, even if they didn't, manufacturers themselves might rationalise each model's production around the standards demanded in influential "progressive" markets like West Germany, which has come under strong environmentalist pressure over its dying forests.

Neither hope has been realised.

At one end of the scale, almost immediately after the 1985 compromise West Germany began offering tax incentives to buyers willing to switch to environmentally "cleaner" cars fitted with catalysts.

The only problem was, while West Germany, Austria and other like-minded countries had well-developed supplies of unleaded petrol on which "catalyst" cars must be run (leaded fuel poisons catalysts , rendering them ineffective), there was little immediate sign of adjoining countries rushing to comply with another part of the "compromise" – that unleaded fuel be widely available throughout the EC by October, 1989.

Unleaded petrol: even in the UK, 20,000 petrol stations due soon to be offering it for sale

Fearful of buying cars with which they might be confined to their home country, they opted in droves for another form of "clean" car instead, the diesel.

It is indicative of the many minor confusions surrounding the emissions issue that few people seem to understand that "catalyst" cars can be filled with two or three tankfuls of leaded fuel, and run several hundreds of miles without undue ill-effect provided the use of unleaded fuel is then resumed.

Most people also fail to realise that while diesels themselves may be "cleaner", in terms of emissions of nitrogen oxides and carbon monoxide, linked with acid rain and dying forests, they produce dirty particulate emissions, for which reduction standards are still being drawn up.

More recently, as unleaded fuel availability has spread, West German buyers have begun switching wholesale to catalyst cars – nearly 50 per cent of sales are now of " 'cat' cars – and as a consequence the the diesel boom has collapsed.

At the other end of the scale, the UK has announced that it is adopting the standards of the 1985 compromise. But it will not be introducing them until 1991, for even the over-2 litre category.

Within the past three months more serious splits have opened up as a result of some of the issues still left unresolved by the 1985 agreement.

This provided for a mid-1987 review of the standards for under 1.4 litre cars with a view to making them tougher at a later stage if this appeared to be warranted.

The review had the potential for serious confrontation if a much more restrictive "second stage" was sought, for the simple reason that if it meant using full catalyst systems, costing £400 a unit or more, it would have a far more dramatic impact on the price of small, cheap cars than on larger cars.

Although the review was much delayed, EC Environment Ministers surprised even themselves by initially reaching a majority agreement in June this year on a second stage, to become effective for new models in 1992 and all production in 1993. Under this second stage , under-1.4 litre cars would have to emit no more than 8 grammes per test cycle of a combination of nitrogen oxides and hydrocarbons and 30 grammes per test of carbon monoxide.

That compared with the first stage limits of 15 grammes and 45 grammes respectively, plus a specific limit of 6 grammes per test for nitrogen oxides.

The compromise, yet again, was a grudging one. Denmark, West Germany, the Netherlands and Greece wanted stiffer standards. France, the UK and Italy argued for a more relaxed regime.

Ominously, the standards seemed likely to require significant numbers of small cars to take the catalyst route.

By July, the latest compromise was coming under full-frontal attack from Mr Jacques Calvet, chairman of France's Peugeot group. Coupling it with fierce criticism of Green political parties, he declared the compromise to be "the worst possible proposal that could be imagined". He was not against fighting pollution, "but I am against demagogy", he declared.

The new standards, he insisted, would only further demoralise car engineers developing new products. Moreover, Dutch and Danish plans to introduce their own fiscal incentives to speed introduction of the new standards would, he claimed, further distort the market and compromise the single European market concept.

At first, French state-owned Renault indicated that it felt the probable 5 per cent rise in prices to be expected from the new standards was acceptable.

But by the beginning of this month,the storm had broken. France withdrew from what had in any case been only a minimum nine-out-of-twelve majority compromise, leaving the qualified majority agreement in tatters.

Over the coming months, Commissioners and other EC officials will try and pick up the pieces. Even if they do patch together another compromise on the standards themselves, there is yet another major hurdle still to be faced.

For there has yet to be agreed a revised driving test cycle to which the standards need to be applied.

The current test cycle bears little relevance to modern-day driving conditions in Europe, having an average speed of 12 miles per hour and a maximum of 31mph.

A revised cycle really needs to take account of motorway driving conditions and thus incorporate a high-speed segment, and it is at high speeds that emissions become increasingly difficult to control without the use of a catalyst.

Chemicals group Johnson Matthey, one of the world's biggest catalytic converter producers and thus with a heavily vested interest in the issue, says it believes that it this point it may well be impossible for many engines to meet the standards without "cats".

The belief that this may prove the case seems to lie behind M Calvet's outburst, which may yet draw more support from other producers.

Peugeot is now an environmentalists' target, with the UK's Friends of the Earth movement calling for a boycott of Peugeot's products and for a "day of action" on November 5 in which 230 FoE groups will picket Peugeot dealerships.

It is of some minor consolation that good progress is now being made to reduce at least one pollutant, lead itself, throughout Europe.

Lead in the atmosphere is an undisputed retarder of children's mental development and a potential killer. Many thousands of tonnes – 3,000 in the UK alone – are pumped out by car exhausts each year.

Despite widespread misperceptions to the contrary, there is no link between lead and the other exhaust pollutants, except for the fact that catalyst-equipped cars need to use unleaded petrol.

Traditionally lead has been used to improve petrol combustion and prevent damaging engine "knock" by increasing the fuel's octane ratio. Modern refining methods mean that it is no longer necessary.

Most cars now in production are capable of running on either leaded or unleaded fuel, with or without minor modification. In the UK, about 70 per cent of all cars on the road fall into this category and the UK Petroleum Industry Association reckons that between them these motorists could save pounds £2m a week by using unleaded fuel, which is currently some 5p a gallon cheaper than leaded four-star.

Some cars cannot be modified – some very high performance machines and older ones which would need valve seats and possibly other components hardened.

There is already 100 per cent availability of unleaded petrol in West Germany and even in hitherto laggard markets like the UK, 20,000 petrols stations are expected to be offering it for sale by the end of this year.

Space to drive:road availability,1986

Selected countries	Total length of road (1000km)	per person (metres)	Expressways (km)	Length of paved roads per vehicle (metres)
United States	6,214	25.9	81,678	32.6
France	805	14.5	6,265	30.4
United Kingdom	348	6.0	2,838	18.1
W.Germany	491	8.0	8,350	17.5
Japan*	1,127	9.0	4,280	14.1

* as of April 1986

Source:IRF World Road Statistics,1987

INDUSTRIAL RELATIONS

Qualitative flexibility

TWO QUESTIONS will dominate labour relations in the motor industry in the next few years.

The first is how to maintain the momentum of recent years towards introducing more flexible working practices, remoulding the organisation of work around new technology, and meeting the demand for high quality and product differentiation.

The second is more difficult. After the productivity gains of the past few years, achieved through reductions in manpower and new working practices, where will the next generation of productivity gains come from?

It is now clear where labour relations in most UK motor manufacturers are heading.

Shopfloor workers will be expected to become more flexible, both around their plants and between tasks. Production workers are increasingly being urged to take on wider responsibilities, beyond their immediate tasks. These include quality control, managing the flow of work to their work stations, and simple routine maintenance.

But there there is still some way to go. Jaguar, the luxury car maker was recently hit by a strike over transferring workers around its plant. At Austin Rover, the company and the unions are about to renegotiate a quality bonus introduced two years ago which stressed the look of products at the expense of their performance.

Among skilled workers there will be further moves towards multi-skilling. Ford, for instance, has recently unified its separate apprentice training schemes into a single programme. The aim is to establish a single multi-skilled grade of skilled worker.

Workers will be increasingly asked to work in teams, within which they will be more interchangeable. These teams are likely to have some degree of autonomy from supervisors.

Austin Rover, for instance, plans to extend its experiment in cell manufacturing. Ford is introducing work teams in which there may be some flexibility between skilled and unskilled workers.

Most companies are attempting to improve and extend the way they communicate with their workers and to introduce forms of employee involvement to cover quality and production problems.

However some big obstacles will have to be overcome if car companies are to fully realise the productivity gains of more flexible production and work organisation.

While in the early 1980s personnel managers' main task was to abolish outmoded demarcation lines to raise productivity, the target in the next few years will be to introduce more qualitative changes.

The first main obstacle is the established role of the shopfloor supervisor or foreman. Traditionally the foreman enforced the rules which regulated the strictly demarcated division of labour on the production line. But with the shift to more flexible forms of working and team working, the foreman's role has to change.

The old Ford motto that "workers want money and need discipline" no longer applies. The kind of high quality productivity that companies want from their workers requires supervisors to become motivators, rather than administrators.

The introduction of team working is leading companies such as Ford to introduce team or group leaders recruited from the shopfloor. They will carry out many of the routine tasks previously performed by supervisors. The supervisors in turn are expected to become more like mini-managers on the shopfloor.

Supervisors' unions in the UK fear their members' interests will be squeezed. There are likely to be more redundancies as the number of supervisors decline. Traditional white-collar jobs are being taken by manual workers who have become team leaders.

The transformation of the supervisor's role will be crucial to future productivity gains to ensure as much as possible is made of the more flexible working practices which are now available.

The second major change which will be required involves team working. Most companies which have introduced team working and group problem solving find that special forms of training is necessary for the method to be effective. Workers, bred by a culture of a strict division of labour, do not automatically know how best to work in teams or to take joint decisions. The introduction of team working is not just a change in production, it is a dramatic change in the culture of work and the relations between workers.

Third, there remain in most companies some major demarcation lines which will have to be eroded if greater flexibility is to be introduced in the future. Most companies have abolished the lines which used to separate electricians from mechanics, welders from fitters. But in most car plants there remain two great demarcation lines: between production workers and indirect, maintenance workers, and between manual workers and white-collar workers.

It is by no means certain that companies will want to move in this direction. Just as they need flexibility, so they need specialisation.

However, to achieve greater flexibility at their plants it is these demarcation lines which will have to be eroded. This will require the introduction of harmonised terms and conditions for blue and white-collar workers to ease their interchangeability. Not only can harmonisation prove to be very expensive, it can also go badly wrong. Talks at Austin Rover, for instance, which began two years ago, have failed to agree on a common pay structure for all workers. The manual unions are now so suspicious of the idea that they have dropped it from their claim. Talks at Ford over the introduction of a common pay structure have got off to a shaky start, with blue and white-collar unions refusing to negotiate jointly.

Finally, the development of new technology production processes and the importance of quality and product innovation will require changes in approaches to training. Car companies will remain strong customers for semi-skilled labour, but in future they are likely to require more skilled workers. more capable and willing to be retrained.

Charles Leadbeater

COMPONENT SUPPLIERS

Pressure to adapt grows

INEVITABLY, COMPONENT suppliers are among those most closely caught up in the strategic restructurings of the world's vehicle makers.

Whether component companies are headquartered in Europe, the US or even Japan, the pressures on them to adapt to change, increase their expertise, cut costs and invest more heavily are relentless and taking many forms.

For example, with the high yen and Japanese vehicle makers shifting ever more production offshore, Japan's components sector has felt itself to have little choice but follow suit.

Thus already there are dozens of Japanese-owned component makers ringing the Japanese "transplant" car and commercial vehicle production facilities of the US. The first tentative landing parties in Europe have also begun to dig in, catering initially for some of the needs of Nissan, both at its Sunderland cars plant in the UK and Nissan Motor Iberica, its majority-owned facility in Spain where light commercial and four-wheel-drives are currently produced – as well as for the collaborative projects of Honda and Rover.

With Suzuki and other Japanese vehicle makers now also seriously examining projects to start making cars within the single European market intended to exist post-1992, a much more extensive Japanese component industry presence – as in the US – is also clearly in prospect.

Given undisputedly high Japanese productivity and quality standards, the threat to European component producers is an obvious one – as, however, are the opportunities.

For example, it remains far from clear how the current row raging between France and the UK over French refusal to admit UK-assembled Nissan Bluebirds as "European" will resolve itself.

Current EC rules define a product as "European" if the last substantial manufacturing process took place within the Community (even a much-quoted 60 per cent "local" content level for acceptability has no formal standing).

But it is by no means impossible that an 80 per cent EC content requirement could be established as part of legislative framework for 1992.

Experience to date with Nissan's UK plant, to which several dozen UK and Continental companies are already suppliers, indicates that there should be plenty of opportunities for the more alert and competitive European component makers.

In any case, change imposed by the European vehicle makers themselves are already requiring suppliers to become much more competitive or, as has been happening, fall by the wayside.

One major change is a requirement for component makers to work much more closely with the vehicle maker from the vehicle's initial design stage. Increasingly, car makers are showing the supplier where components have to fit, what performance, durability and cost criteria it has to meet – then leaving the component maker to get on with it.

It is a system offering a future only to those component makers prepared to invest in the engineers,designers and computer systems which provides them with their own extensive research and development capabilities.

The rewards, however, can make the investment worthwhile in the form of much longer-term supply contracts, in which the probability is that the component maker will be the sole supplier.

These contracts also hold out the prospect of being in larger volume and more international than in the past – provided again that the component maker is prepared to make other investment which may be necessary.

For example, only a few weeks ago Mr Alan Spencer, Ford of Europe's vice-president for supply, disclosed that Ford needed to move much closer to Japanese vehicle makers' levels of just-in-time inventories. Ford's relatively modest target is less than half a day, compared with its current average of slightly over one day – and two hours or less at Japanese plants.

This meant that over the next five years some key suppliers would have to set up "clone" production plants close to some or all of Ford's European factories, warned Mr Spencer.

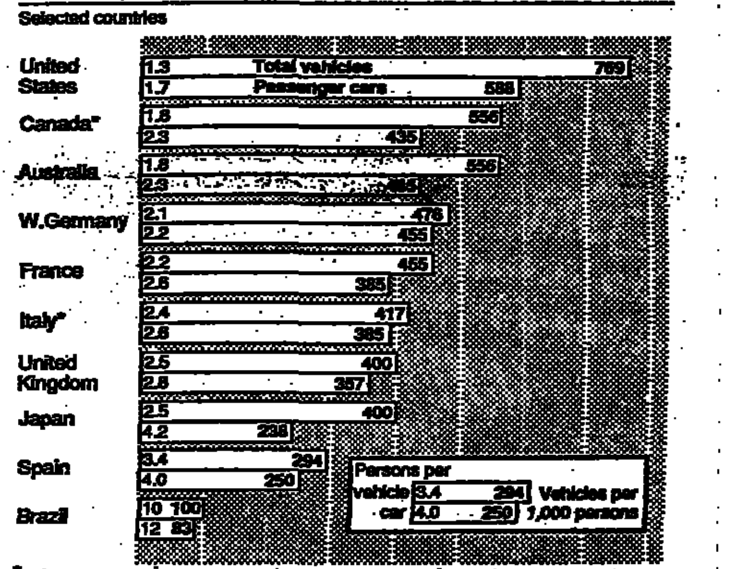
The news was greeted with relative equanimity by larger component makers such as Robert Bosch of West Germany and GKN of the UK, who are already multinational in their operations.

But even the "Europeanisation" of what, until fairly recently, was primarily a motley array of national industries inside Europe, is already starting to appear potentially inadequate in the face of progress towards globalisation by US and Japanese producers.

The initial attempts to produce "world cars" at the end of the 1970s – GM's J-car and Ford's Escort – were a partial failure in that many changes in the end were required to suit individual markets.

Motor vehicles per head,1986

Selected countries



*Estimate

Source:SMMT;The Motor Industry of Great Britain,1987

But it did allow the big US producers to set up large-scale production of at least some core components for use world-wide. And now, with much more experience under their belts, they are looking once again to design a common range of cars to be built world-wide.

As just one illustration, Ford US is designing and developing the replacement for the European Granada/Scorpio, while Ford of Europe is doing the same for the Sierra's successor. The end products will mark a return to the "world car" concept.

Clearly, those component suppliers who manage to become a part of this matrix stand a good chance of their long-term futures being well secured.

Yet other restructuring forces are at work in the components sector.

The vehicle makers themselves,for example, have been buying up companies which they perceive as being capable of meeting technology or component needs, or even broadening the base of their activities. Thus the acquisition by Daimer Benz of electronics group MTU and aerospace concern Dornier, and Fiat of Italy's 55 per cent stake in Magneti Marelli.

This broadly-based components group in the past three years has expanded itself into a pan-European supplier, partly through making its own acquisitions, including Lucas Industries' vehicle lighting operations. Mr Alessandro Barberis, Magneti's chief executive, acknowledges that the European industry – vehicle makers as well as component suppliers – is facing a very strong challenge from the Japanese and US industries, particularly if, as is widely expected, significant numbers of cars are shipped to Europe from Japanese "transplants" in the US as well.

Most European component makers are still too small to tackle it successfully, he warns. "In Europe it is still only Bosch which has got the really big dimensions of scale. However, we are now working towards it".

Lucas itself has been undergoing its biggest restructuring for many years in terms of its automotive operations. Under Mr Bob Dale, managing director of Lucas Automotive, motor components have been reorganised into six divisions – all,like its engine systems divisions – tailored to attack high-value, "hi-tech" sectors of the market.

In predicting that the electronics content of a car will rise to around 24 per cent of its manufacturing cost by the end of the 1990s, Dr Peter Walzer, Volkswagen's research chief, suggests that car makers might grow increasingly resentful of the fact that given the current components supply structure, much of the added value in such cars will be going not to them but suppliers like Robert Bosch.

This situation could be exacerbated by the fact that the electronics themselves control systems – such as anti-lock brakes – where much of the other hardware also comes from external suppliers.

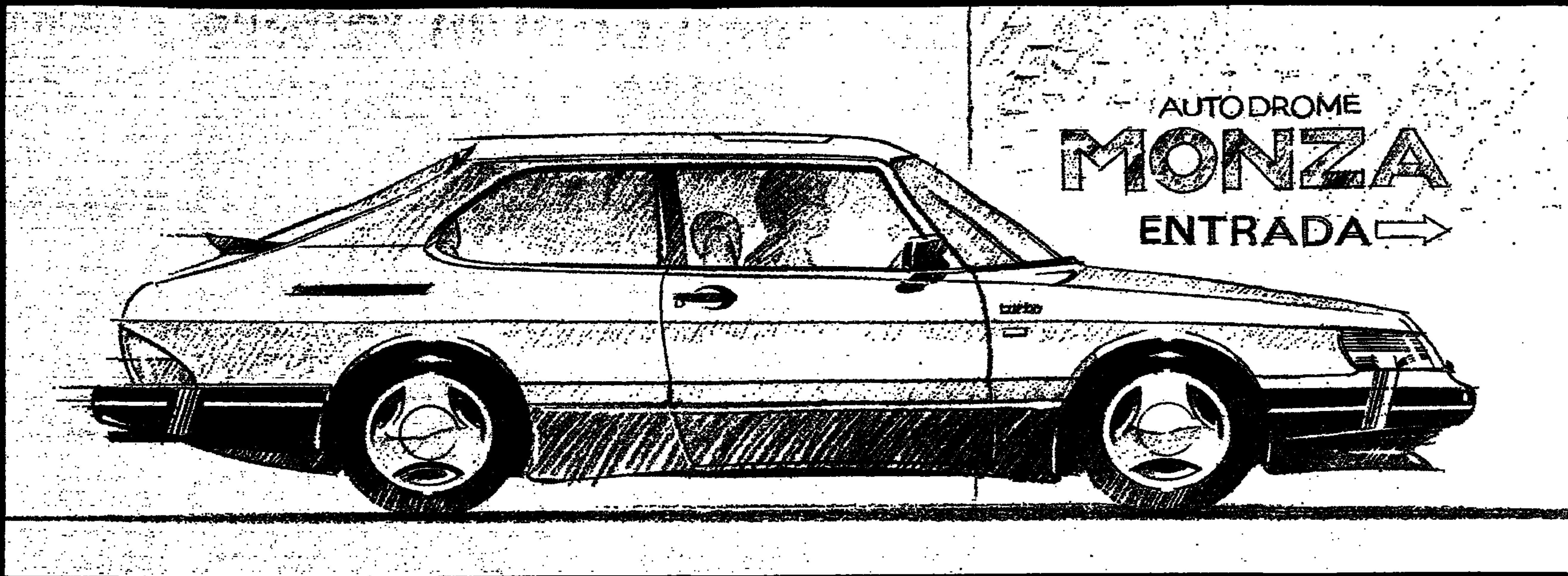
So any sharp reversal of the current trend of vehicle makers to source more from outside could provide yet another major headache for independent suppliers as the 1990s progress.

What is certain is that pressures on component suppliers can only intensify. As Mr Ian Gibson, deputy managing director of Nissan Motor Manufacturing (UK) points out, the time gap between new models, particularly among Japanese producers, is descending rapidly towards three years, requiring a faster pace of development for new components.

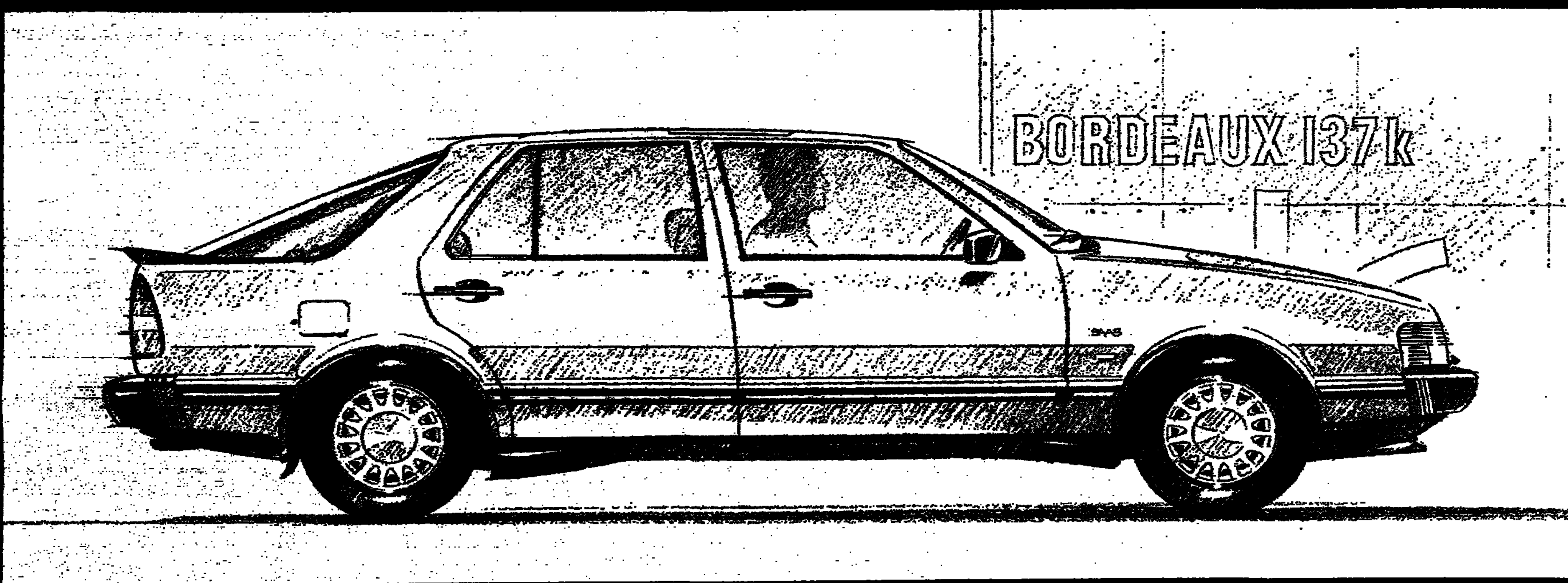
The good news, however,is that "a policy of very long term supplier relationships is essential. You can't keep asking somebody new to design your product with you every two or three years".

John Griffiths

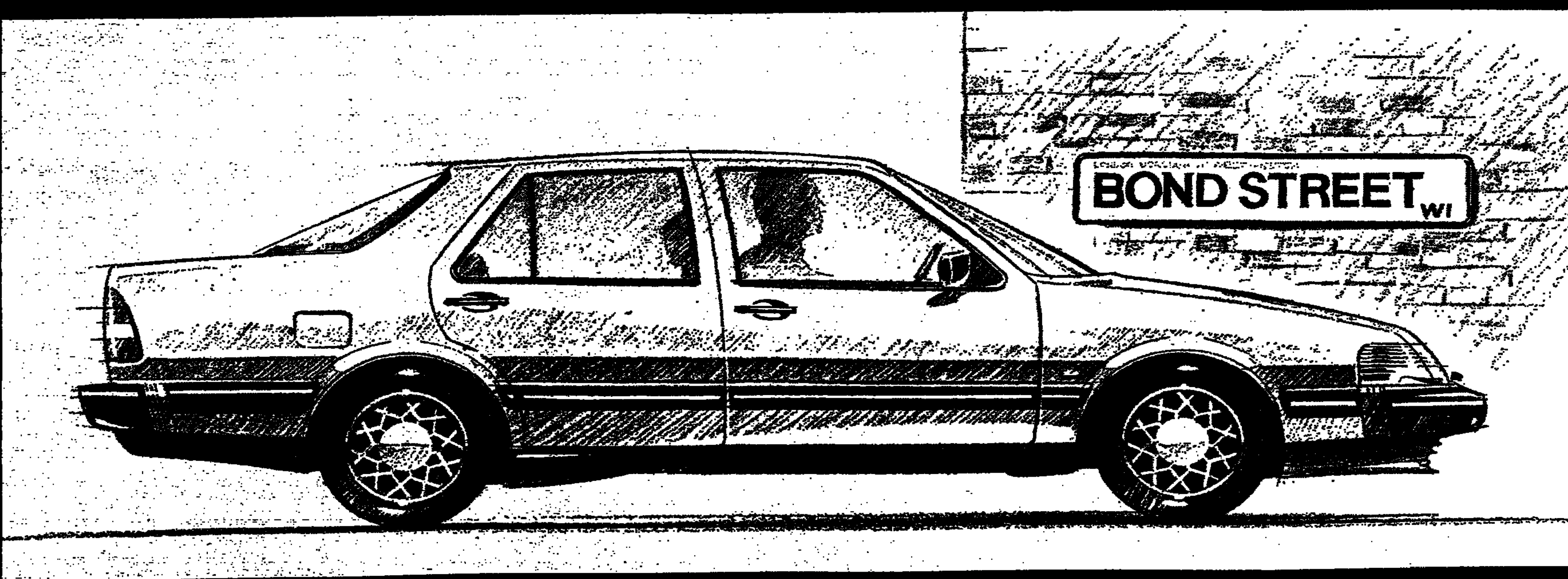
HOW FAR DO YOU WANT TO GO?



FROM £10.995 TO £24.195? THE 900 SERIES.



FROM £14.895 TO £25.695? THE 9000 SERIES.



FROM £15.495 TO £26.495? THE CD SERIES.

FOR A TEST DRIVE RING 0800 626556.

SAAB

THE AIRCRAFT MANUFACTURER

CARS ILLUSTRATED 900T16S £18,395, 9000 TURBO S £21,495, CDE £26,495. PRICES CORRECT AT PRESS DATE EXCLUDE DELIVERY, ROAD TAX, PLATES. CONTRACT HIRE QUOTATIONS (0800) 626557.

Stuart Marshall casts an expert eye over the cars on display at this year's British Motor Show

A vintage year for genuine new models

THIS HAS been a vintage year for new cars. The stands at this year's British International Motor Show at the National Exhibition Centre, Birmingham, are filled with more genuinely new models, as well as face lifts of familiar one, than for some years past.

Alfa Romeo,whose new 3 litre, front wheel drive 164 is making its British debut, will now be a force to be reckoned with in the luxury executive segment. This elegant, Pininfarina styled saloon combines the traditional sportiness of Alfa Romeo with refinement and lavish equipment putting it at the top of its class and all at seductively keen prices.

The lightweight Aston Martins is perhaps more for investors and collectors than mere user-choosers of management cars but it shows real advance on the part of this old and famous maker, control of which recently passed to Ford.

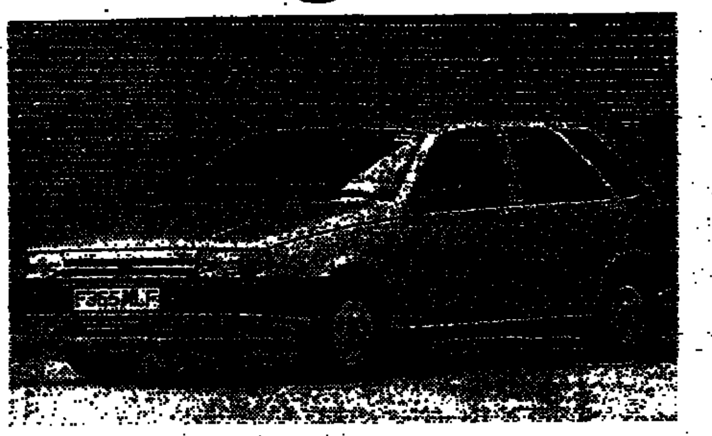
Audi's V8 is seen in left-hand drive and right-hand steering models for Britain are some way off. This large luxury car is the first of its kind to combine an automatic gearbox with quattro all wheel drive transmission.

It will cruise quietly and effortlessly on the autobahn at speeds other countries deem highly illegal and its sure-footedness will be a boon in winter road conditions. With a leather and wood veneer interior that should delight a Jaguar owner, it would cost at least £35,000 if available here now.

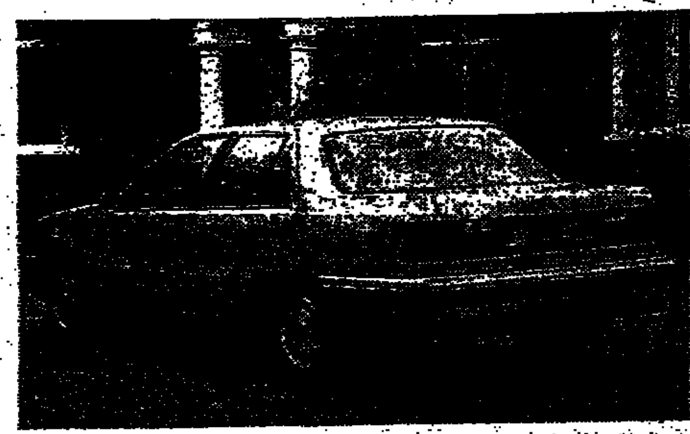
Every BMW sold in Britain is now fuel injected and the 5 Series saloons, introduced earlier this year, are arguably the best medium-sized management level cars money can buy. Much the same can be said higher up the price/size scale of the 7 Series, especially the superlative 750iL with its V12 engine and "fly by wire" accelerator. Despite its formidable performance (a deliberately restricted top speed of 155 mph/250 kmh) it gave me 22 mpg (12.8 litres/100 kms) on a UK to Switzerland journey.

Citroen's new large car to replace the veteran CX is still some months away but meantime, the BX goes from success to success. The diesel version has such appeal to fleet buyers that it has become the best seller in Britain, an extraordinary turn round for a make that not long ago was regarded as too eccentric for all but enthusiasts.

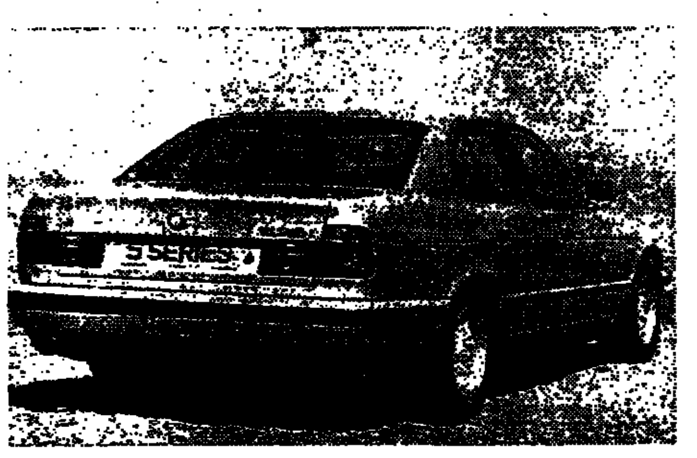
The Nissan Prairie: a 2-litre engine and 4-wheel drive option



The Fiat Tipo: lavish use of galvanised steel and plastic



The Hyundai Sonata: S Korea's executive class challenger



The BMW 5-Series: arguably Europe's best executive saloon

The Audi V8: 4-wheel drive in the luxury class

The Alfa Romeo 164 3.0 V6 Lusso: lavishly equipped

One of the most significant new cars of 1988 has been the Fiats Tipo, a family hatchback in the Ford Escort/VW Golf category. It uses so much galvanized steel and sophisticated plastics mouldings that the body should be exceptionally corrosion resistant. Interior space is unusually generous for so compact a car. For mechanical refinement and road noise suppression it is at the top of its class. Keen pricing must assure large sales in Britain once supplies match demand.

There are no completely new models in Ford's 1989 line up though a new Fiesta is due early next year. But it has improved the equipment levels of its current range and introduced new engines. Advanced lean burn technology has allowed Ford to meet increasingly severe exhaust emission requirements by improving combustion efficiency. The new engines include a 1.3 litre for the Escort and Orion and an enlarged 1.8 diesel.

While Europe's luxury car makers are bracing themselves for an onslaught from Japan in the next year or two, Korea's threat to the middle executive market is closer. The Hyundai Sonata, which goes on sale here next Spring at prices likely to start at less than £10,000, is a Ford Granada/Vauxhall Carlton class 5 seat, 4 door saloon. There will be a choice of 1.8, 2.0 or 2.4 litre fuel-injected engines with 5 speed manual or 4 speed, electronically controlled automatic transmission. Power steering will be standard and factory options will include air conditioning.

Jaguar also goes into 1989 with only one new model (a cosmetically altered XJ S coupe) but forthcoming improvements include more powerful 6-cylinder engines and, later, the introduction of the 5.3 litre V12 into the new bodied XJ saloons. Booming sales in France are a reflection of European taste for a volume produced car that manages to feel like a bespoke product.

Revised versions of the Lancia Thema have just appeared in Italy with a 2 litre, 16 valve engine and Pininfarina-styled estate car bodywork. They may be expected here in the Spring.

Land Rover's Range Rover benefits at long last from a change to chain drive in its transfer case and a viscous coupling instead of a conventional third differential. It should now be as quiet mechanically as its Japanese rivals, one of which (the Mitsubishi Shogun) has just acquired a 3 litre V6 engine option.

Mercedes Benz has made the first changes to its best selling compact saloon, the 190, since its introduction nearly five years ago. The body now has the same family look as the larger 200-300 Series, there is a little more rear passenger space and pleas for softer upholstery have finally been heeded.

An enlarged engine (from 2.3 litres to 2.5) makes the sporting 190E 16 only a little faster but much more flexible in traffic. A new Mercedes SL sports coupe will make its debut at Geneva Show in March.

The Mitsubishi Galant and smaller Colt and Lancer, unveiled simultaneously in Tokyo this time last year, have now reached Britain.

Both the supermini sized Colt hatchback and slightly longer Lancer saloon are offered with power steering, which is increasingly demanded by motorists who see no reason why small cars *should* need *more* effort to park than large ones.

Main points of interest on the Nissan stand at NEC are the beautiful 200SX sports 2+2 – successor to the Silvia Turbo and an elegant new Prairie multi purpose vehicle. At a likely price of about £16,000 complete with ABS brakes, the turbocharged 200SX will arrive in the near future. The 2 litre engined Prairie, compact, roomy and with sliding doors that make it exceptionally easy to enter and leave, will be offered in front wheel and four wheel drive versions.

Peugeot's handsome estate car version of the 405 makes its UK debut at the show. It will be imported built up from France (all 405 saloons for Britain are assembled in Coventry). Engine options include Peugeot's peerless 1.9 litre diesel, naturally aspirated or turbocharged.

Another of this year's most important small/medium cars is the Renault 19, which promises to do for its maker's sales charts what the Renault 5 did years ago. It is a just a little smaller and will sell more cheaply than its most obvious rival, the Fiat Tipo; though it is no less refined and may be had with power steering. Variants include one with a Spanish-built engine specifically designed to run on lead free petrol and a new diesel. British deliveries start in March, with a potent 16 valve model soon to follow.

Rover Group's long-awaited 2-litre, direct injection turbo-diesel engined Montego saloon and estate make their appearance though the engine, naturally aspirated, has been fitted to Maestro based panel vans for nearly two years. Minor revisions have been made across the range of Austin Rover products, which was enlarged in mid year by the introduction of the fastback version of the Rover 800.

Saab entered the luxury market in mid year with the 9000CDE, furnished in traditional wood veneer and leather. It is a vivid performer despite its 2-litre, 4 cylinder engine which does, however, have turbocharging, intercooling and 16 valves.

Among recently introduced Toyota models is an compact estate car with a 16 valve engine and full time four wheel drive. The 3 litre *Supra*, a sporting grand tourer, has now acquired a turbocharger for even more effortless performance.

Vauxhall's new Cavalier must give competitors cause for concern and boost its maker's market share. I rate the new cars better than most, if not all, rivals for ride comfort and suppression of road noise. They handle very well, too.

The 4WD model, with permanently engaged all-wheel drive, is an exceptionally attractive proposition for users who need a comfortable car with snow and ice beating traction at a sensible price. Vauxhall's new 4-speed, electronically controlled automatic transmission, offered on certain Cavaliers, is another best in class.

Volkswagen's medium-sized Passat saloon and estate car have been joined by the Corrado, the first full blooded VW 2+2 sports car. It has a retractable spoiler to defeat rear end aerodynamic lift that might affect road-holding at high speeds. Early arrivals will have the 16 valve, 136 bhp engine but, in due course, a more powerful unit with a mechanical supercharger will be offered. Syncro versions of the Golf hatchback and Jetta saloon, with a sophisticated permanently engaged four-wheel drive transmission, have just been added to the British range.

Although the evergreen Volvo 300 series will remain in production for a year or two, its eventual successor may be seen in the shape of the Volvo 440, Dutch-built and based on the pretty 480ES coupé. This Renault-engined 4-door saloon manages to combine the coupé's elegance with a family likeness to the big 700 series cars.

ACCOUNTANCY COLUMN

Profession takes stock of share ownership arguments

By Richard Waters

THE DEBATE about who should be allowed to own accountancy firms is officially under way again, after nine months out of the headlines, and all the signs are that the restrictions on ownership are likely to be much less severe than proposed in the past.

So far accountants, in the shape of the three institutes of chartered accountants, have said that outsiders should not be allowed to own more than 25 per cent of the shares in a firm and should have no voting rights and no control over the appointment of directors.

At present auditing firms (accountants still look to auditing for a large part of their business) cannot by law operate as companies. That will be changed when the Government enacts the next companies bill, which is expected in the next session of Parliament.

However, to protect their independence, qualified auditors must retain a majority of the shares in their companies and ultimate control.

The accountants will be allowed to include tighter ownership requirements in their own ethical rules, if they think them necessary to protect independence — and if the Department of Trade and Industry agrees. The question now is what form these professional rules should take and whether the 25 per cent non-voting proposal is too restrictive.

Straws in the political wind suggest that it is. If the law allows outsiders to own up to 49 per cent of an accountancy firm, what right have accountants to limit it to 25 per cent?

As a profession, accountants have had a monopoly for most of this century. Is it not time others had a chance to enjoy the profits that flow from this monopolistic position? It also seems highly unlikely that the profession will be able to foist non-voting shares onto investors when they have been discredited elsewhere.

Mr Gordon Anderson, chairman of Arthur Young and of the working party which has drawn up a discussion paper on the subject for the three institutes of chartered accountants, warned: "We run the risk of challenge from the Office of Fair Trading. We have to find a balance that is acceptable to them."

The argument from the reactionary fringe (some might say core) of the profession has been that an auditing company's independence would be undermined if outside shareholders had a say in its running. There are strong arguments against this point. For a start, what evidence is there that companies with outside shareholders are not independent or professional? Mr Michael Blackburn, managing partner of Touche Ross and one of the most vociferous advocates of incorporation, said many widely-held companies would be incensed at the suggestion.

Bankers, for instance, may feel aggrieved over the accusation that reports they prepare in connection with prospectuses are biased. Surveyors, who had similar ownership restrictions to those for accountants until two years ago, would no doubt argue that property valuations they prepare are no less independent now that some of them are listed on the stock market.

Some accountants claim that they are more "professional" than these other professions and that they enjoy a better reputation for independence. This smacks of conceit — particularly when they are beginning to emulate merchant banks in their activities.

Of course, the investing public needs to be reassured that auditors are independent. The key is regulating who owns the shares, or how many each investor is allowed to own. Most obviously, companies should not be able to hold shares in their own auditor. There is also a strong case for arguing that banks should not own shares in an audit firm, since they could then potentially exert far greater influence over companies to which they have lent money.

There may even be cause to follow the line of the US Securities and Exchange Commission. It is concerned about the independence of auditors of US companies' subsidiaries in countries like Germany and Switzerland, where incorporated audit firms already exist. The commission's answer: it does not accept auditors if they have a shareholder who is also a shareholder in the client company. Such a rule, if adopted in the UK, would prevent institutional investors with extensive equity holdings from taking stakes in audit firms.

Anyone interested has a chance to comment before the end of February. Copies of a consultative document, published last week, are available from the Institute of Chartered Accountants in England and Wales, Gloucester House, 399 Silbury Boulevard, Central Milton Keynes, MK9 2HL (include stamp addressed envelope).

Anyone pondering this document should perhaps bear in mind the position in another leading European country: West Germany. Concerns about independence are as strong there as anywhere. It is a criminal offence for accountants to advertise, for instance. In the UK, professional rules were relaxed four years ago to allow advertising. However, some German accountancy firms have been partially owned by banks for years.

The objections to outside ownership heard in some quarters in the UK may be nothing more than reactionary responses based on fear of the unknown and a desire to protect a way of life which has enabled partners in accountancy firms to live in comfort for many years.

Firms fear client backlash against market moves

THE largest accountancy firms will not be the first to rush to the stock market, assuming they are allowed to do so a year or two from now. There are a number of reasons for this; the most important being that they would face a backlash from large audit clients, who in turn would fear a backlash from their shareholders.

How easy would it be for the first firm going public to convince the world that it was not sacrificing its independence?

Firms also claim that they do not need the capital; that they are perfectly able to adopt a corporate management structure, a more efficient way of operating, without having to become companies; and that this year's reductions in the top rate of income tax make it less difficult to finance their businesses out of partners' after-tax income.

In the long run, however, there are persuasive reasons for going corporate. Mr Joe Connor, who has just taken over as head of Price Waterhouse, has a long-term goal of taking in outside capital.

Without it, he says, it is unlikely that firms like Price Waterhouse will be able to compete with others across a broad range of financial services. Most firms in recent years have increased the capital they ask their partners to commit to the business.

The other most likely reason for taking in capital is to put a value on accountancy firms. Selling shares to an outsider creates that value and would allow firms to establish sharp incentives for staff — an area in which they are presently at a marked disadvantage to other, corporate employers.

However, although one or two medium-sized firms report a number of approaches from outsiders, most say that they have not been actively courted. A serious bid or two may change all that.

Mr Hugh Aldous, managing partner of Robson Rhodes, a firm with fee income of £25m, said: "For £50m, my ethics might bend a bit." Offers on (01) 251 1644.

ACCOUNTANCY APPOINTMENTS

European Treasury Operations Manager

To £40,000 + Bonus + Car + Benefits

Our client is a leading US Investment Banking, Securities and Commodities Trading Group, a market leader in numerous product areas throughout the world. Consistently rated as one of the world's top ten Investment Banks and with current capitalisation well in excess of $2 Billion, the organisation has an innovative and progressive reputation. Their strong commitment to London and Europe has recently been underlined by a multi million pound investment in new London Headquarters and increasing representation in Dutch, French and Spanish markets.

As Manager European Treasury Operations you will report to the European Treasurer and, with a staff of 12, assume control of the Money Mobilisation/Cashiering, Accounts Reconciliations, and Money Desk divisions which handle a high volume of monthly transactions for 12 subsidiary companies. More specifically responsibilities will include Treasury systems development and analysis, funding, settlement and clearing relationships and the formulation of controls and procedures.

Candidates will be Graduates with specialisation in a business discipline or an Accountancy qualification together with 5 years plus experience in related fields. Whilst previous banking experience is not necessary, exposure to international cash management, multicurrency, and work flow analysis, combining familiarity with electronic banking and money market operations, are essential criteria. They will be mature, highly self motivated and confident possessing first class communications and man management skills, together with the ability to display the energy, initiative and flair required to meet the continuing challenge that this role will present.

For further information, please telephone or write, in strictest confidence, enclosing full career details, to David Goodrich, Firth Ross Martin Associates Ltd., Bell Court House, 11 Blomfield Street, London EC2M 7AY Telephone 01-628 2441 Fax 01-382 9417.

Firth Ross Martin

FIRTH ROSS MARTIN ASSOCIATES LTD.

A supervisory and consultative role on a European scale

£19,500 + lease car

Ford Credit, a subsidiary of Ford Motor Company, is one of the world's leading finance companies. Our European Sales Operation, based at a brand new Brentwood Central Office, co-ordinates our business in twelve European countries outside Britain and Germany.

Our aim is to achieve the most efficient financial and operational controls in each of these twelve European offices. Adopting a consultative approach, you will analyse, review and report on methods and procedures to ensure established policies are being observed. This will cover a whole range of matters from simple office practices to verification of records and financial control – your overall brief being to produce and maintain effective internal controls.

Aged between 25 and 35, ideally a graduate qualified in Accounting/Financial Management, you should have some accounting audit experience (1 or 2 years), the drive and initiative to work independently plus the people skills to communicate and implement change as necessary. Naturally you should also be willing to travel Europe-wide, although knowledge of other languages is not vital.

Your positive impact throughout the company could lead to further career development, a salary of c.£19,500 will be matched to your experience level and benefits are those you would expect from Ford including a lease car.

Please write with full curriculum vitae to John Why, Ford Motor Credit Company Limited, 1 Hubert Road, Brentwood, Essex CM14 4QL.

Your future in finance

Ford Credit

Ford

. . . an equal opportunity employer.

Director of Finance

Salary circa £30K + executive car + benefits

Chromoworks Limited, part of the Consumer Journals and Catalogue Group of BPCC plc, is recognised as an established leader in the web offset sector of the printing industry, and is one of Europe's foremost producers of magazines, catalogues and directories.

We are implementing a major programme of growth which will continue to keep us at the forefront of the market place. As part of this strategy, we are seeking an energetic and accomplished person to take responsibility for the financial aspects of the Company, as part of a new Senior Management team.

Being an experienced finance professional, you will report directly to the Managing Director, and also have a functional responsibility to the Group Finance Director. Your responsibilities will include:

- Budgetary Control
- Financial Planning
- Control of Management and Statutory Accounts
- To ensure the Company complies with the policies *of our Multinational* Parent Organisation.

As a key member of the Management Team, you will be expected to contribute to future Company strategy, with particular emphasis on:

- Financial and Business Planning
- Pricing Policies
- The development of Management Information Systems
- Capital Investment Strategy

You will also take overall responsibility, through the functional managers, for the *Accounts, Purchasing* and Paper Control Departments.

This is an excellent opportunity for a suitably qualified, dynamic professional to join a progressive market leader, and to have a hands-on involvement in the shaping of the Company's future to ensure we meet the needs of our "Blue Chip" customers.

The responsibilities and our expectations are high. Consequently, the remuneration package reflects the importance of this position, and will include an executive company car, private health insurance and a generous relocation package where appropriate.

If you feel you can match our requirements, please apply (in the strictest confidence) by sending your c.v. to: J.B. Wood, Personnel & Administration Manager,

Chromoworks Limited

Wigman Road, Aspley, Nottingham NG8 3JA.
Telephone: Nottingham (0602) 291181.

WHERE THE CUSTOMER IS KING!

Member of BPCC plc.

A direct line to the executive shortlist

To secure the best appointments at a senior level needs more than good advice, accurate objectives and succinct presentation.

InterExec not only provides career advice, but also a unique service to bridge the critical gap between counselling and the right job. Why waste time and money on unproductive letters?

InterExec clients do not need to find or apply for appointments. Over 50 full-time staff with over 5,000 unadvertised vacancies p.a., enable InterExec to offer the only confidential Executive placement service.

What is each unproductive day costing you?

For an exploratory meeting without obligation, Telephone InterExec on 01-930 5041/7

A member of the Career Development & Outplacement Division

Landseer House, 19 Charing Cross Road, London WC2H 0ES.

InterExec SMI

FOR ACCOUNTANTS

Commercial Director

West Of Scotland

c £25,000, Quality Car, Executive Benefits

Commercial awareness, intrapreneurial flair and a keen eye for detail will characterise the individual who fills this vital role with a leading supplier of catering services, worldwide. As a key member of the executive team, the successful applicant will make a full contribution to the direction of the company and will have specific responsibility for the finance function, tendering and contracts and the identification and commercial appraisal of new projects and ventures.

Aged 30-45 candidates *will* be qualified accountants with a proven record of successful commercial management in a highly competitive, service industry environment, ideally with a catering background. Personal drive and commitment will be combined with the creativity and interpersonal skills necessary to play a leading role as a member of a young dynamic management team.

Excellent conditions of service reflect the stature of the company and as part of a successful International Group prospects of further career advancement are outstanding.

D.G. Burgon, Ref: G14058/FT. Male or female candidates should telephone in confidence for a Personal History Form, *041-221 2585, Hoggett Bowers plc, 29 St. Vincent Place, GLASGOW, G1 2DT.*

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR

A MEMBER OF BLUE ARROW PLC

Breaking new ground...

...Attaining new heights

C. London c.£28,000 + excellent benefits

Diversifying its worldwide trading activities into challenging new areas, our client, a major financial services group with a turnover already in the £ billions bracket, is firmly committed to substantial growth in the foreseeable future.

A rare opportunity has arisen for a qualified accountant, age 25 - 35 years, to participate in the continuing development of the group. As a member of a small professional team, your brief will be to ensure that the Group Finance Director is provided with the strategic and financial data necessary for effective business monitoring and decision making. Thus, in addition to sound financial accounting experience you must have the personality and ability to communicate effectively at all levels.

The position offers considerable challenge and autonomy and represents an opportunity to make a significant contribution to the group's future success. Salary will not be a limiting factor and the *comprehensive* benefits package includes *mortgage subsidy* and a *non-*contributory pension.

Write with full CV and daytime telephone number to Patrick Donnelly, quoting ref FT/031. PD Consultants, 314/316 Vauxhall Bridge Road, London SW1V 1AA. Tel: 01-828 2273.

CFO designate

from £30,000 + car & benefits Cambridgeshire

This major blue chip company is seeking to strengthen its financial team by the addition of a high calibre finance executive who will play a leading role in redefining the strategy and focus of the business.

The position provides an unusual opportunity to join a new, keen minded management team in a large strong business capable of improved performance.

The finance executive will need to understand quickly the factors driving the costs and revenues in order to provide profitability and business analysis which will impact positively on pricing, volumes, product offering, infrastructure and facilities. Clear recommendations for management action are required, confidently presented, not a virtuoso display of options. An early appointment as Chief Financial Officer of a major division is anticipated.

Applicants should be Graduate Accountants aged 30-35 with a flair for business analysis and financial planning, and experience of applying the techniques to positive effect in a substantial business. Salary will not be a limiting factor for the right candidate. Generous relocation assistance is available where necessary.

Please reply in writing quoting reference L380 to:–

Margaret Mitchell
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 01-240 7805

Mason & Nurse
Selection & Search

THE LAST OF THE SUMMER CAREER FAIRS

The Queens Hotel, City Square, Leeds

Participating Organisations

SAVE & PROSPER · Babcock Plc · National & Provincial · ICI WORLD CLASS · Hays · BOC · PANNELL KERR FORSTER · BDO BINDER HAMLYN

Considering your next career move or simply keeping in touch with your market place, this is a unique opportunity to meet and talk over a glass of wine to some of the areas most prestigious organisations. Admission is free to partly and fully Qualified Accountants aged under 32 and represents an excellent forum to gain impartial information and advice in an informal environment. Call in any time between.

5pm–8pm WEDNESDAY, 26th OCTOBER 1988

★ VIDEO PRESENTATIONS ★ ★ REFRESHMENTS ★

ADMISSION IS FREE TO PARTLY AND FULLY QUALIFIED ACCOUNTANTS. CONTACT ONE OF THE OFFICES BELOW FOR YOUR INVITATION

★ NO PRESSURE ★ ★ NO OBLIGATION ★ ★ NO FORMS ★

If you require any further information about this event contact your nearest "WHITE ROSE" office now

LEEDS	BRADFORD	SHEFFIELD	HULL
0532 438384	0274 731666	0742 738775	0482 225955

Accountancy Personnel

Placing Accountants First

Hays

Develop a career with a major multinational

Bristol-Myers are a major US multinational with a world-wide reputation for the quality of our products. Our comprehensive range of ethical pharmaceuticals, together with household names such as "Mum" deodorant, the "Clairol" haircare range and "Mr Muscle" household cleaners, have given us a turnover of £60 million and over 500 employees in the UK. If you are seeking to develop an internationally successful career, consider the following openings:

Financial Accounts Manager

c.£25,000 + fully expensed quality car + bonus

Leading a team of twelve, you will ensure that accounting data is recorded accurately and that regular performance reports are produced for senior UK and US management to strict deadlines.

In order to provide this high level financial service, you should be a qualified accountant with a minimum of two years' post-qualification experience, preferably gained within a manufacturing environment. This will, ideally, have given you some knowledge of US reporting. You should be able to demonstrate effective interpersonal skills and computer literacy. As well as the opportunity to prove, or build on, your man-management skills, we offer the scope to diversify into other areas of our organisation. Assistance with relocation will be given if necessary.

Reporting Accountants (2)

c.£17,000 + bonus

Managing a small team, you will be involved in the production of reports for UK and US management and control the maintenance of the computerised accounting records.

Enthusiastic, able to work to deadlines and determined to succeed, you'll already be a certified level II accountant, or equivalent. We offer financial assistance with study leave, and salary increases based on gaining further qualifications.

All these positions command excellent benefits, including BUPA, life assurance, contributory pension scheme and the opportunities for career progression which only a highly successful concern can offer.

To apply, please write, enclosing a full CV, to: Gary Dickinson, Personnel Manager, Bristol-Myers Company Limited, Swakeleys House, Milton Road, Ickenham, Uxbridge UB10 8NS.

BRISTOL-MYERS

GROUP FINANCE DIRECTOR

Farnborough, Hants | **from £40,000+car**

Wilshaw plc is an expanding, acquisitive group heading for £20m turnover and confident about its future. Its recent acquisitions are performing well and already benefitting from being part of a larger grouping.

An experienced finance person is now sought to strengthen the small group executive. Developing the Company's relationships with the City is seen as the key task for this new appointment, which also embraces the usual holding company financial management remit.

The person appointed will work closely with the Chief Executive, particularly on further acquisitions, and with the Directors of the subsidiaries, who have considerable autonomy in developing and running their businesses.

Candidates should have broad management experience, preferably including the engineering and distribution sectors. Demonstrably successful contact with City institutions etc. will be highly valued. This is a high profile role with general management involvement and outstanding prospects.

To apply, please send full career details to Mike Smith, quoting ref. W/4081.

KPMG Peat Marwick McLintock
Executive Selection and Search
Abbots House, Abbey Street, Reading RG1 3BD.

INTERNAL AUDITOR

to £27,500 + bank benefits

CITY

A challenging opportunity has arisen within the investment banking arm of a major Japanese bank which is a leading force in the euromarkets.

The rôle will encompass the development of the Internal Audit department which will involve working independently from the general operation of the bank and reporting to the Managing Director through the Audit Committee. Specific responsibilities will include enhancing existing controls, the establishment of further controls for every activity of the bank and ensuring compliance with these controls.

To be considered for this position you will ideally be a qualified accountant, aged 27-35, with experience in the financial services sector, preferably including exposure to capital markets. You will be self-motivated, have an analytical aptitude and a proven ability to communicate at all levels in a clear, logical and convincing manner.

To apply for this position please write to or telephone Susan Lee, Senior Consultant, Accountancy Division, quoting ref: CG3751.

MANAGEMENT PERSONNEL, 25 City Road, London EC1Y 1AA
Tel: 01 256 5041 (24 hours)

Management Personnel
RECRUITMENT SOLUTIONS
LONDON · GUILDFORD · ST. ALBANS · WINDSOR
NEWBURY · BRISTOL · CAMBRIDGE

ACCOUNTING CONSULTANTS ★ TO £30K LONDON

A LEADING ROLE IN A MODERN CLASSIC

The Mercury success story is fast becoming one of the most talked-about in business today; thanks largely to our commitment to nothing less than the very best, telecommunications technology available.

It's a commitment which also extends throughout our organisation – not least within the accounting function, where sophisticated IT systems play a vital role.

And, as you might expect from a company that's grown tenfold in just 3 years, change is inevitable, which means almost constant development of our existing accounting systems – hence our need for a number of high-calibre, systems-oriented accountants to help us do just that.

Reporting to the Controller, Financial Systems, you'll be involved totally in identifying and developing new accounting systems and procedures. You'll also hold responsibility for seeing entire projects through from inception to implementation. So you should be a qualified accountant with 3 to 7 years' post-qualification experience using major computerised accounting packages.

In addition, you'll need to be a fluent and confident communicator who's at ease liaising with all levels of management.

These senior posts offer considerable rewards. There's a salary of up to £30k, for instance, plus company car and free BUPA cover.

What's more, by joining Mercury you'll be part of an organisation where dramatic expansion is set to continue for quite some time to come. And that has to be good news for your prospects.

Mercury
COMMUNICATIONS

To apply, please send a detailed CV to Robert Johnston, Personnel Controller, Mercury Communications Ltd, 90 Long Acre, London WC2E 9NP, Telephone: 01-528 2142.

Unlock your potential

Audit Manager | **London c£30,000 + car + benefits**

▲ PROGRESSIVE TOP 20 FIRM

▲ ATTRACTIVE LOCATION

▲ DYNAMIC CLIENT BASE

▲ COMPREHENSIVE RANGE OF SERVICES

Having gained a number of years' post qualification experience in a progressive public practice environment where client services are prominent – what next?

Our client can offer you definite partnership prospects as a result of their continued growth.

You should have first-class interpersonal skills and be able to manage a busy portfolio of clients who will require a comprehensive level of services, including audit, accountancy, tax and general business advice.

For further information and a copy of our in depth profile on this practice, please telephone *Geraint Evans* on 01-836 9501 or write to **Douglas Llambias Associates, Freepost, 410 Strand, London WC2R 0BR**, quoting reference number 2505.

DOUGLAS LLAMBIAS

BIRMINGHAM 021-233 4421 · EDINBURGH 031-225 7744 · GLASGOW 041-226 3101 · LONDON 01-836 9501 · MANCHESTER 061-236 1553

ACCOUNTANTS FOR MANAGEMENT CONSULTANCY

Challenging EIS and Financial Management Projects

£30,000-£40,000 plus car

Price Waterhouse Management Consultants seek outstanding qualified accountants who can manage the development of some of the world's most advanced information systems.

Our clients are major and sophisticated businesses in competitive sectors who wish to use leading financial management techniques. Price Waterhouse is pre-eminent in providing effective business solutions to meet these needs.

If you have had experience in installing systems using leading software such as Pilot, Commander, GLM, MSA-GL, RF or OLAS you will enjoy this challenge. With appropriate experience gained in either a line or support position, this is an opportunity to make a really outstanding career move.

After initial training, you will lead multi-disciplinary teams, plan solutions and manage implementation. You would also be expected to make a significant contribution to our intensive US, UK and European Marketing and Development programme.

If consultancy attracts you, please send your CV indicating preferred location and quoting reference MCS/8751 to:

Delia Pegg
Price Waterhouse
Management Consultants
1 London Bridge
London SE1 9QL

Price Waterhouse

OFFICES IN: LONDON · ABERDEEN · BIRMINGHAM · BRISTOL · CARDIFF · EDINBURGH · GLASGOW · LEEDS · LEICESTER · LIVERPOOL · MANCHESTER · MIDDLESBROUGH · NEWCASTLE · NOTTINGHAM · REDHILL · ST. ALBANS · SOUTHAMPTON · WINDSOR · ASSOCIATED FIRMS IN IRELAND AND THE CHANNEL ISLANDS

YOU COULD HELP CHANGE THE WAY WE DO BUSINESS.

£22,000-£26,000 + full banking benefits

Mercantile Credit is an authorised institution under the Banking Act 1987 and an autonomous member of the Barclays Bank Group. As one of the UK's leading finance houses, we offer a comprehensive and flexible range of financial services.

We are looking for three accountants (two recently qualified and one with at least two years' post-qualification experience) to develop and implement systems for new funding techniques, management and financial accounting systems as well as to help monitor and advise on product pricing.

As part of a hands-on management accounting team, your work will impact directly on the business and involve high visibility within the company. As well as offering considerable intellectual challenge, these roles will provide exciting opportunities to gain a breadth of experience not normally available at these levels in a fast-changing, dynamic environment. It was within this environment that these new roles were created.

ACA or ACCA qualified, you must have good communication skills and a questioning, pragmatic approach to business and accounting problems. All our financial systems are automated, so computer literacy is essential. For the senior position, you will need to demonstrate a track record of direct hands-on achievement in a commercial environment, preferably within the financial services sector.

If you are the sort of person who "gets things done" rather than talking about them then you're likely to do well in one of these roles. Promotion prospects are excellent either within Mercantile Credit, the Mercantile Group or the Barclays Bank Group.

Salaries will be supported by a comprehensive package of financial-sector benefits including mortgage subsidy and, in the case of the senior position, a car. Generous relocation assistance is available.

Please apply with full cv (including details of current remuneration) to the Personnel Controller, Arthur Thomas, Mercantile Credit, Elizabethan House, Great Queen Street, London WC2B 5DP (Tel: 01-242 1234 Ext 2379).

MERCANTILE CREDIT

ALPS

ACCOUNTANCY & LEGAL PROFESSIONS SELECTION LTD
3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 01-588 3576 Telex No. 887374

Excellent career prospects within either the financial or commercial areas for accountants with business acumen and strong analytical/interpretive skills.

HEAD OF FINANCE – I.T. SYSTEMS

LONDON | **£19,000-£25,000**

FAST-EXPANDING COMMUNICATIONS DIVISION (£500M T/O) OF A MAJOR ESTABLISHED PLC – WITH AN EMPHASIS ON NEW PRODUCT DEVELOPMENT AND GROWTH BY ACQUISITION

The continuing expansion within this division has created this opportunity for qualified Accountants (CACA, CIMA, ACA), aged 25-35 who have had at least 3 years practical financial/management accounting experience within a commercial organisation, using sophisticated EDP systems. Key elements of this widely-drawn role are: providing financial and advisory support to the General Manager (including budgets, variance analysis, internal controls, monthly reports, five year plans, systems development) assisted by a small team. On an ad hoc basis, there will also be investment appraisals of projects, capital expenditure and acquisitions. This responsible and "hands-on" role requires a high degree of commitment, energy and effective communication skills. Initial salary negotiable £19,000-£25,000 + contributory pension scheme, free life assurance and assistance with removal expenses if necessary. Reference: HF168/FT.

MANAGEMENT ACCOUNTANT – I.T. SYSTEMS

LONDON | **£15,000-£19,000**

For a further vacancy in the above organisation, we invite applications from Finalist or Part-Qualified Accountants (CACA, CIMA, ACA), aged 23-30, who intend to complete their qualifications and who have had at least 3 years accounting experience. MBA graduates with a financial background will also be considered. Reporting to the Head of Finance, the successful candidate will provide financial and management accounting support to the business unit and product management, assisting in stock accounting, internal controls, budgets, forecasts and ad hoc appraisals of new products and capital expenditure. As a key member of the business unit team, this is a varied and challenging role for an ambitious and self-motivated commercial accountant who wishes to contribute to the division's ambitious development plans. Initial salary negotiable £15,000-£19,000 + benefits above. Reference: MA168/FT. Applications in strict confidence, quoting appropriate reference, either by telephone on 01-588 3027 (daytime) or 01-673 6783 (evenings/weekends) or in writing to the Managing Director.

ACCOUNTANCY & LEGAL PROFESSIONS SELECTION LIMITED, 3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ. TELEPHONE 01-588 3588 or 01-588 3576. TELEX: 887374. FAX: 01-256 8501.

Audit Manager

with a Proactive Approach

Hertfordshire | *C22K*

Our client represents a Defence Corporation that is, in international terms significant, progressive and truly British. To maintain the lead in an ever changing and fiercely competitive market place, the need for continued commercial sophistication is paramount.

To assist in their quest for excellence, they now seek to recruit a young qualified accountant whose dynamic approach to business will spearhead the management of change.

Reporting to the Head of Audit, your prime responsibility will be for a range of operational and financial audits making a very real and positive contribution to the effectiveness and efficiency of the operations.

Aged 25-35 you will have experience of audit and investigation gained ideally within a large, multi-site high technology manufacturing environment. Sound management and well developed presentation skills are essential as is the ability to communicate effectively at all levels. A successful performance in this role will result in an early opportunity to undertake senior line management responsibilities.

In addition to the salary indicated there are a range of benefits including generous relocation assistance where appropriate.

In the first instance please contact Kevin Cottrell on (0272) 522590 or write, enclosing full career details, to Search Elite Ltd., The Old Chapel, Horfield Common, Gloucester Road, Bristol, BS7 0BJ.

Search Elite Ltd

WTN
Worldwide Television News

VICE PRESIDENT FINANCE

c.£40,000+Car+Bonus

Our client, Worldwide Television News, is the world's leading independent television news service company with offices in 14 countries and camera crews operating throughout the world. The company is owned by ITN, American Broadcasting Corporation and the Bond Media Group of Australia.

Reporting to the President, the VP Finance will be fully involved in business decision making and take responsibility for the company's finance, treasury and administrative functions controlling a small head office department.

Preferred applicants will be qualified accountants aged around 35 who are able to demonstrate successful management of the financial affairs of a multi-currency operation and have the flexibility to operate in an *informal but fast moving environment.*

Please send career and personal details quoting reference F/779/A to Carrie Andrews.

Ernst & Whinney
Executive Recruitment Services
Becket House, 1 Lambeth Palace Road, London SE1 7EU

Swiss Clearing Bank

INTERNAL AUDIT

c. £30,000
+ Car
+ Banking Benefits
City

Our Client is a leading Swiss clearing bank with ambitious plans for further overseas development. It operates a network of branches and agencies throughout Switzerland, as well as a full branch in London, and representative offices worldwide.

The success and resultant growth of the London operation has led to the creation of the position of Head of Internal Audit, reporting to the Senior Vice President, with functional reporting to Switzerland.

The initial brief will involve a comprehensive systems review with recommendations to management outlining key priorities. Subsequent responsibilities will embrace the implementation of internal control procedures and the provision of assistance in the Compliance area.

This position is seen as an excellent entry point for someone wishing to progress into a broader banking role, with opportunities for involvement in the bank's international development.

Candidates are likely to be in their early 30's with banking audit experience, probably gained within a major firm of Chartered Accountants, or in a bank's internal audit department.

Please apply directly to Richard Holland at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R 0BR. Telephone: 01-836 3545, or evenings on 01-348 1173. Fax: 01-836 4942.

Financial Recruitment Specialists
London · Birmingham · Windsor · Manchester

ROBERT HALF
LONDON

Financial Controller and Company Secretary

London WC1 **£32,500 package**

Our client is a strategic consultancy concerned with the quality of management in the 1990's and is supported by blue chip funding. There is an anticipated turnover of about £2.5m in 1989.

Reporting to the Managing Director, the appointee will develop and manage the finance, computing and company secretarial functions principally in the UK but also in liaison with a Swiss Office, and become involved in the planning and development of the business.

We seek a young qualified accountant, with experience of computer based accounting and management information systems in a professional organisation or service industry. A flexible package will allow the appointee to choose an appropriate mix of salary and benefits.

Please write in confidence submitting a curriculum vitae and quoting reference 7503 to:

Peter Childs
Director
Pannell Kerr Forster Associates
New Garden House
78 Hatton Garden
LONDON EC1N 8JA

Pannell Kerr Forster Associates
MANAGEMENT CONSULTANTS

FINANCIAL CONTROLLER

BANKING AND INVESTMENT MANAGEMENT

City **min £30,000**

The UK subsidiary of a prestigious European bank specialising in providing financial services and investment management for private clients requires a senior qualified accountant.

The real challenge for an ambitious professional will be the demands on his/her initiative to successfully create, implement and refine intelligent control systems to enable the bank to rapidly expand in the asset management business. Additionally, you will be responsible for all accounting matters and the preparation of reports to regulatory authorities, management accounts and draft statutory accounts.

Although you will be fully supported by our EDP team familiarity with the IBM 38 System and the IBIS banking package would be a distinct advantage. We are part of a privately owned internationally operating financial institution and travel will be necessary.

The remuneration package is competitive and attractive as the right person in this function is vital for the development of the bank.

Please send your application, including a full C.V. to: Box No. A1022
Financial Times, 10 Cannon Street, London EC4P 4BY

Company Accountant

Swindon

Substantial Negotiable Salary + Benefits Package

HONDA is now rapidly expanding its UK manufacturing interests and is shortly due to start producing 70,000 engines each year for a new range of cars, in a joint venture with *The Rover Group.* As part of this programme, the opportunity has arisen for a young, ambitious financial professional to join the management team at our innovative Swindon base.

In this No 2 role, you'll be responsible for the assessment and implementation of accounting procedures for our new engine manufacturing plant and reviewing our present financial systems. As a qualified accountant or business graduate, preferably aged 27–35, you'll have sound technical and management skills and possibly experience of a manufacturing environment. The position calls for a high degree of flexibility and commitment. For the right person we offer a chance to be part of a unique Company with growth prospects. Salary and benefits arrangements will be excellent for the right applicant, with very generous relocation assistance to a very attractive part of Southern England.

If you feel you have the essential qualities we are looking for, send full career details to: Jeremy Webster, Manager Associate Relations, HONDA OF THE UK MANUFACTURING LTD., Highworth Road, Swindon, Wiltshire SN3 4TJ. Telephone: (0793) 831183.

HONDA

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

MEMBER SERVICES
The Institute of Chartered Accountants in England and Wales

COUNSELLING

Chartered Accountants – our services embrace:

- guidance on career planning
- translating advice into practical action
- CV preparation and interview techniques

If you are actively pursuing a new position, faced with a career problem or simply considering your future, contact our Consultants for confidential, impartial advice.

APPOINTMENTS

From our Client contacts in public practice, commerce, industry, public sector, charitable and professional bodies, current openings include:-

PARTNER **C. London**
General Practice **£40,000 +**
Responsibility for a demanding mixed client portfolio requires a mature practitioner with good tax knowledge and business advisory skills. Excellent opportunity with a reputed medium size firm.

FINANCE DIRECTOR **W Home Counties**
Packaging plc **O.T.E. c£40,000 + car**
Fast developing group aiming for full quotation. Ambitious CA sought to strengthen their financial and general management effectiveness within an overall expansion strategy. Previous distribution experience preferred.

PARTNER DESIGNATE **W1**
Corporate Finance Development **c£30,000 + car**
Opportunity with a small/medium practice successfully developing this specialist service. Continue the impetus plus contribute in other technical areas of training and investigation work.

GROUP FINANCIAL ACCOUNTANT **Surrey**
Industrial plc **c£30,000 + car**
Rapidly expanding group, currently undergoing restructuring, seeks positive CA, 25-30, preferably with commercial and Stock Exchange reporting experience, to control Board reporting and accounting functions. Promotion to FC/FD – main subsidiary within 3 years.

FINANCIAL ANALYST **City**
Leading Finance House **c£25,000 + Bens**
A market orientated role, e.g. advising and determining pricing policies, exploring funding options, preparing and interpreting budgets and financial statements. Opportunity for a recently qualified CA, with commercial experience, gained in a computerised environment. Excellent promotion prospects.

COMPANY SECRETARY **C London**
International Charity **c£22,000**
Interesting opportunity for a member, experienced in Company Secretarial and Stock Exchange procedures, to control the administration of various accounting, pension scheme and investment valuation activities.

Telephone: 01-628 7060 or write to:–

CHARTAC Recruitment Services

Chartac Recruitment Services,
I.C.A.E.W.
P.O. Box 433, Moorgate Place,
London EC2P 2BJ.

FINANCIAL CONTROLLER
LUTON
C £20,000 PLUS FULLY EXPENSED CAR AND BENEFITS

ANACHEM LIMITED are a rapidly expanding, very successful, private company. We are looking to recruit an enthusiastic Financial Controller who will report direct to our Managing Director, and be responsible for:

- Financial and Management accounting
- Daily control of the accounting function
- Continuing development of our computerised management information systems

Applications are invited from Chartered Accountants with sound experience in computerised accounting systems, and the ability to manage and motivate staff.

Please send a comprehensive C.V. together with salary history to:-
The Personnel Officer
Anachem Limited
Anachem House
Charles Street
Luton, Beds., LU2 0EB

Group Chief Accountant

c £28,000 + car

This is a high profile position based at the corporate headquarters of a £250m communications group. The organisation is enjoying exceptional growth and has secured a dominant position in the market by the effective combination of technical excellence and dynamic management.

This key management role will be a major influence on the group's financial issues including handling a variety of important relationships and key assignments. Direct responsibilities will include reviewing, consolidating and presenting regular financial and management information; co-ordinating forecasts, budgets and long-range plans; preparing financial statements and statutory accounts; advancing the group's accounting procedures; providing technical leadership and advice to subsidiary operations; and supporting the optimisation of financial performance.

Applicants should be experienced in UK reporting, able to demonstrate a sound record of achievement within a commercially orientated industrial organisation. The technical competence and personal standing to deal independently at a senior level is essential. The successful candidate will probably be a Chartered Accountant in the age range 30-35. Location – M4 Corridor, Home Counties. Relocation assistance is available where appropriate.

Please reply in confidence quoting reference E.145 to:

Adrian B. Edgell
Mason & Nurse Associates
5a Station Road, Egham
Surrey TW20 9LD, Tel: 0784 71255
Offices in London, Birmingham and Egham

Mason & Nurse
Selection & Search

FINANCE DIRECTOR

Nr Sevenoaks
to £35k + substantial bonus + car

Our client is a marketing driven privately owned business manufacturing consumer products, with plans for a flotation in the medium term.

A finance director is sought who will provide commercial input for the expansion of the business in addition to taking full responsibility for the finance and data processing functions. An initial key task will be the development of pertinent management information systems.

Candidates, preferably aged 35-45 should be qualified accountants with senior level financial experience and proven ability in staff management and development. Familiarity with computerised systems and experience of working within a manufacturing environment are essential, but above all the successful applicant will have the drive, flair and personality to work as an active member of the management team.

A relocation package is available if appropriate.

Please send career and personal details quoting reference F/699/A to Carrie Andrews.

Ernst & Whinney
Executive Recruitment Services
Becket House, 1 Lambeth Palace Road, London SE1 7EU.

DALGETY

INVESTIGATIVE ROLE

HOME-BASED **c£17,000+Car**

Are you a young qualified Accountant with the confidence and ability to join a highly professional team of trouble-shooters within this successful food organisation? Do you have the vision to think through a problem to its solution?

A forward thinking organisation, Dalgety is expanding its internal consultancy operation. This results in a opportunity for a motivated young professional. You will report from your home based computer to Board level on a wide variety of topics spanning acquisitions and corporate projects.

For further information contact:
Accountancy Personnel
36 Museum Street,
Ipswich IP1 1JQ
Tel: 0473 215066

NACANCO LTD

FINANCIAL ANALYST—FIRST MOVE

LUTON **SALARY: £ COMPETITIVE**

Nacanco are the UK subsidiary of the world's largest packaging company. With a seventh major production unit due to open they are a prosperous, energetic and aggressive company.

This position offers a recently qualified accountant with manufacturing experience, exceptional scope covering ad hoc project analysis, standard cost maintenance, variance analysis/reporting and production of reports for the Financial Director.

In return for commitment and a positive attitude, rewards are substantial with unrivalled prospects of promotion.

For further information contact:
Accountancy Personnel
Ground Floor, Connaught House,
15/17 Upper George Street,
Luton LU1 2RD
Tel: 0582 402099

Accountancy Personnel
Placing Accountants First
Hays

EUROPEAN TROUBLESHOOTERS

ACA/ACMA'S 23-33 **PACKAGE NEG C£25,000-£30,000**

Our client is a major US multi-national based in the HOME COUNTIES with extensive interests in most European countries. The offices are only 30 minutes travelling time from CENTRAL LONDON.

There are currently 3 vacancies for candidates with strong professional or commercial backgrounds for whom travel and being part of a well organised and motivated team hold attraction. A second European language facility in any major EUROPEAN language would be advantageous. Explicit assistance is given by the company for linguistic improvement. If you KNOW IN YOUR HEART that you're SOMETHING SPECIAL, please telephone and send your CV to:-

GEORGE D MAXWELL, Managing Director
ACCOUNTANCY APPOINTMENTS EUROPE
International Business Centre
1-3 Mortimer Street, London W1N 7RH
Tel: 01-580 7739/7695 (direct)
01-637 5277 ext 281/282

Accountancy Appointments Europe

FINANCE EXECUTIVE

...to develop in a key corporate role

Cheshire c.£25k + major benefits

This is a rare opportunity for an ambitious young accountant to combine a career in an internationally renowned financial services group with the quality of life offered by one of the premier locations outside of London.

The company has been established for over 40 years, and offers a range of specialist financial services to major clients worldwide. Reporting to the Chief Executive, you will lead a small team providing comprehensive financial and company secretarial services. In addition, every encouragement will be given to you to develop your expertise in the company's main trading activities, leading to active involvement in product development and an early opportunity to influence business strategy. There is ample scope to build a long-term career to a very senior level in this attractive company.

To take full advantage of this opportunity you should be a chartered accountant, able to perform statutory company secretarial and financial functions. Your career to date will have whetted your appetite for further developing your commercial skills and you will be keen to become involved in the mainstream business and play a role in shaping the company's future. Your natural ambition will be complemented by interpersonal skills and maturity which will enable you to work successfully and develop and build long-term relationships with executives from the company's existing and potential clients.

The salary package is highly competitive, and includes a fully expensed car, a mortgage facility and an excellent non-contributory pension scheme.

Please send full details of your career to date to Alan Gibbons, quoting ref. AG/881 to:

KPMG Peat Marwick McLintock

Executive Selection and Search
7 Tib Lane, Manchester M2 6DS.

ARCO ARCO ARCO ARCO ARCO ARCO ARCO ARCO ARCO ARCO ARCO ARCO ARCO ARCO ARCO ARCO ARCO ARCO ARCO ARCO

CORPORATE AUDITORS

CALCULATE THE ADVANTAGES WITH ARCO

LONDON BASED + INTERNATIONAL TRAVEL

C.£25,000 + SUPERB BENEFITS

ARCO is one of the World's leading energy companies with expanding European interests in its Oil & Gas and Chemical operations with an excellent reputation for innovation, technology and business management.

Now, due to continuing success and expansion in Europe, we are establishing a corporate internal audit function in London which means two superb new opportunities for talented Internal Auditors.

Senior Internal Auditor – (Chemical)

You'll need to have some five years experience in a CHEMICAL company environment with three of them spent in auditing. A good command of the French language is also necessary. Accounting qualifications would be an advantage.

Senior Internal Auditor – (Oil & Gas)

Five years experience in the OIL and GAS Industry is preferable – three of them gained in auditing. Joint venture experience and accounting qualifications would be advantageous.

For both positions you will receive up to six months training in the USA to gain knowledge and experience of ARCO and US accounting and reporting procedures. Thereafter you will be based in Central London with extensive travel throughout the UK and Europe with some travel to Africa and the Middle East.

The rewards for success are considerable, not least in international or domestic career terms. In addition to a competitive salary, our valuable benefits include – non-contributory pension, free health care and life assurance schemes, and generous relocation assistance.

If you've got the expertise and drive for a high profile career opportunity, please send your CV to Pauline Gilbert, Employee Relations Department, ARCO British Limited, ARCO House, 48 Grosvenor Street, London W1X 0AN, or telephone 01-409 2466, extension 3868 for an application form.

ARCO

ATLANTIC RICHFIELD COMPANY ATLANTIC RICHFIELD COMPANY ATLANTIC RICHFIELD COMPANY ATLANTIC RICHFIELD COMPANY

Chartered Accountant for Computer Audit

Berkshire ☆ c.£25,000 + choice of car

Our client is one of the world's foremost North American-based multinational corporations, with a $multi-billion worldwide turnover in industrial, commercial and consumer markets.

Based at the company's UK headquarters, the Internal Audit Department is a major contributor to the on-going quality and efficiency of UK business operations, and offers the opportunity to acquire valuable commercial experience.

Your role will provide considerable exposure to senior management, and you will be involved in all aspects of computer audit work including the further development of the function. Up to 20% of your time could be spent on assignments at other UK and European locations.

You should have gained proven computer audit experience with a major accounting firm or a well-established large company. You should also have sound knowledge of computer-aided audit techniques, complex database applications, DP installation and security procedures, and the use of file interrogation packages. Familiarity with ADR DATACOM database and MVS/XA would be a distinct advantage; the ability to communicate effectively at all levels is of course essential.

Salary will be supported by an excellent large company benefits package including free private health care and relocation assistance if appropriate. Career-minded applicants can anticipate excellent prospects for further progression.

To apply, send your detailed cv to Media System, 4 Garden House, Cloisters Business Centre, Battersea Park Road, London SW8 4BG, quoting ref: 1344 on the envelope. Your application will be forwarded directly to our client, unless marked "security check" and noting separately companies to which it should not be sent.

MEDIA SYSTEM

MANAGEMENT CONSULTANCY

London, Birmingham **£20,000 To £35,000 + Car**

Clark Whitehill Consultants is the management consultancy arm of Clark Whitehill, a leading national firm of accountants. Its wide range of services includes organisational development, financial management, information technology and executive selection, in manufacturing and service industries.

Rapid growth has led to two exciting opportunities, one in London, the other in Birmingham, for outstanding qualified accountants who wish to develop their careers as management consultants in a challenging environment.

Applicants, aged 25 to 35, should be able to demonstrate a record of success in management positions and have:

- an understanding of the business implications of information technology.
- recent experience of implementing micro and/or mini-computer based systems.
- excellent presentational skills.

Please write in strict confidence with career details and present salary, quoting reference F7306, or telephone for an application form.

Brian Ing
Clark Whitehill Consultants
Street Square
London EC4A 3LN
01-353 1577

Keith Hart
Clark Whitehill Consultants
Daimler House
Paradise Circus
Birmingham B1 2BY
021-643 8241

CLARK WHITEHILL
Executive Selection

DIRECTOR OF FINANCE

CIRCA £40K

LONDON

Our client, a fast growing international consulting firm with a pre-eminent global reputation in its field, seeks an outstanding Director of Finance for it's highly successful UK business. The ideal candidate will be aged 28 to 40 with good academic credentials and a professional accounting qualification. Experience of sound financial stewardship including financial and management accounting, budgetting and forecasting, treasury, taxation and the administration of compensation and benefits programmes is essential. In addition, familiarity with computerised accounting systems and a knowledge of US accounting practices would be desirable as well as some exposure to business in other European countries. The successful candidate will have the personal stature and inter-personal skills to command respect at all levels and to deal with outside agencies such as banks and auditors.

Applications will be treated in the strictest confidence. Please reply in writing with full CV including current salary details.

Impact Marketing Consultants, (Ref: 1020), Telfords Yard, 6-8 The Highway, London E1.

Financial Director Designate

Wiltshire based **Circa £30,000 + car**

Our client is an established and actively expanding, US owned company which specialises in the marketing and manufacture of health care products. With annual sales of just under £10 million, further growth is planned in the UK and continental Europe.

Initially, the priority will be to ensure the soundness of existing accounting procedures and to substantially develop cost accounting and other management information facilities. This will include the implementation of new information technology which will provide an integrated production and accounting system. The medium term objective will involve influencing the strategic direction of the UK company, as a senior member of the management team.

The ideal candidate will be professionally qualified with relevant commercial experience, preferably in a manufacturing environment. Essentially, you will be used to operating within tight time schedules for group accounting and reporting and should be conversant with the PC based tools available to today's accountants.

A competitive reward package will match the importance of the role and there are clearly excellent career development opportunities.

Please write with CV to David Dodd, quoting Ref: 17586.

MSL International

MSL International (UK) Ltd.,
Broad Quay House, Broad Quay, Bristol BS1 4DJ.

Offices in Europe, the Americas, Australasia and Asia Pacific.

Financial Controller

'£1.7m to £3m this year, and that's just the beginning'

c. £22,000 + bonus + car **Age 26–30**

Established only 3 years ago, this privately owned and very profitable agency – a full service below the line operation – is well ahead of forecasts and is seeking significant continued growth.

Having quickly established its credibility within a buoyant and demanding market sector – as demonstrated by its blue-chip clients – the Company is emerging as one of the leading players in a very competitive industry.

Success has to be managed and many corporate and personal challenges will face you in this new appointment which is seen as central to the Company's future growth – and your achievements will be reflected in the executive bonus scheme.

Reporting to the Chairman – and having membership of the executive team – you will have responsibility for all aspects of financial management plus company secretarial duties and other broader-based non-accounting activity, including the development of client business.

You must be a qualified accountant with at least 2 years commercial experience, ideally acquired within an agency/marketing/service industry orientated environment. Additionally, you must be capable of playing an active role in the diversity of small company life. For the right candidate salary is not seen as a limiting factor.

This appointment is Hertfordshire based.

Interested? Then please forward a comprehensive CV to Dennis Fielding, quoting reference MD1715 at Macmillan Davies Consultants, Salisbury House, Bluecoats, Hertford, SG14 1PU. Tel: (0992) 552552.

Macmillan Davies

MANAGEMENT SELECTION

APPOINTMENTS ADVERTISING

Appears every Wednesday and Thursday

for further information call 01-248 8000

Deirdre Venables
ext 4177

Paul Maraviglia
ext 4676

Elizabeth Rowan
ext 3456

Patrick Williams
ext 3694

Candida Raymond
ext 3351

Group Accountant

Essex/Suffolk *c.£24,000 + Car*

Wardle Storeys is a profitable and expanding Manufacturing Group. Further growth is expected, both organically and by acquisition.

As a result of recent growth an opportunity has arisen for an energetic Group Accountant aged about 30.

In addition to co-ordinating the financial results of the divisions, the position carries responsibility for the functions of Group Treasury, Statutory Accounts, Audits and Tax. The personality of candidates will be such as to enable them to liaise effectively, not only internally, but also with Merchant Banks, Auditors, Clearing Banks as well as legal and taxation advisors. Opportunities will arise to participate in acquisition/divestment appraisals.

It will be necessary to demonstrate experience in most, if not all, of these activities. The successful candidate may come from the profession or a similar post within industry. If the former, he or she will need to demonstrate close involvement with industrial clients on such activities.

Reasonable relocation costs will be met and the individual appointed can expect to take part in the Company's Executive Share Option Scheme. Please write in confidence with full c.v. to John Band, Personnel Director, WARDLE STOREYS PLC, Brantham Works, Nr. Manningtree, Essex, CO11 1NJ.

WARDLE STOREYS

Financial Director Designate

Birmingham **c£25k + Car**

Our client is a young, progressive and dynamic plc involved in the manufacture, distribution and sale of a range of high quality retail products. The plc is highly acquisitive and has recently purchased a profitable £15m turnover company.

This new subsidiary requires a Financial Director Designate who will be capable of implementing a new financial system, building a new finance team and should be able to make significant commercial contributions to the company as part of a small but aggressive management team. An essential feature of the role will be to manage and control change in a stimulating environment.

Candidates should be Chartered Accountants, probably aged between 26-33, who have a record of achievement in either public practice or industry. Essential qualities will include a flexible approach to managing the finance function and excellent interpersonal skills.

Given the dynamism and profitability of the group there are excellent career opportunities for the successful candidate. The company is therefore providing a generous salary package which includes car, share option scheme, private health care and pension scheme.

Interested candidates should write to Tony Hodgins ACA, Executive Division, enclosing a comprehensive curriculum vitae, at Michael Page Finance, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

IMRO INVESTMENT MANAGEMENT

ACA's

☐ Professionalism ☐ City Exposure ☐ Training ☐ Variety

These are just some of the attractions of IMRO (Investment Management Regulatory Organisation Ltd) for the professionals currently in the IMRO team. IMRO now seeks to appoint a number of qualified ACA's to further complement its inspection and investigation staff.

IMRO has developed a strong dynamic team of professionals in preparation for its role as a Self Regulating Organisation centred upon regulation of Investment Management ranging from the major merchant banks to smaller independent concerns. This is a unique opportunity to gain first-hand knowledge of the sector.

These positions will be of interest to top calibre ACA's looking for a challenging and high profile role. IMRO pays competitive city salaries with a benefits package which includes mortgage subsidy.

For further details please contact Paul Wilson or Penny Bannah on 01-404 5751 or write enclosing a curriculum vitae to Michael Page City, 39-41 Parker Street, London WC2B 5LH.

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

FINANCIAL CONSULTING & SOFTWARE MARKETING

THE POSITION

Stern Stewart & Co, an international financial consulting company, is expanding its London office and is seeking a candidate to market its state of the art financial analysis, valuation and acquisitions software system. In addition, the candidate will market and deliver the company's Applied Finance Seminars to major corporations and financial institutions. Exceptional growth opportunity is provided by this position.

Qualifications should include a minimum of 2-5 years experience in financial consulting, small business consulting, 'big eight' accounting, corporate banking or software sales/marketing.

An MBA, proven knowledge of corporate finance, and familiarity with accounting will also be an advantage.

This is a unique opportunity to join a highly successful international operation and carries an attractive remuneration package.

STERN STEWART & CO

Stern Stewart & Company is an advisory consultancy specialising in valuation and corporate restructuring. The company has designed a unique array of products and services which apply the principles of modern finance to corporate decision making.

These products include the distinguished Continental Bank Journal of Applied Corporate Finance, a range of consulting services focused on increasing the value of the client's company, the financial planning and valuation software system called FINANSEER® and management development programmes in corporate finance.

For immediate and confidential consideration, please send full c.v. to:
E. Mark Gressle, Partner,
Stern Stewart & Co.,
37 Bedford Square,
London WC1B 3EG.

Stern Stewart & Co.

UNIVERSITY OF BATH
SCHOOL OF MANAGEMENT

LECTURESHIP IN BUSINESS ECONOMICS/STATISTICS

The School of Management is seeking to appoint a Lecturer specialising in quantitative analysis in the area of business economics and management. The School would be particularly interested in candidates with expertise in the area of business forecasting and market analysis.

There are currently six Professors in the School, and a seventh Chair in Information Technology - funded by ICL - will shortly be advertised. In addition there are some 30 other permanent members of staff.

Members of staff are heavily involved in research, with the current research income of the School in excess of £1.25 million.

It is anticipated that the appointment will be made on Lecturer Grade A. An appointment to Lecturer Grade B may be made, exceptionally, if the experience and qualifications of the successful applicant warrant this.

Salary:
Lecturer Grade A £9,260 - £14,500
Lecturer Grade B £15,105 - £19,310

Anyone seeking further details is invited to contact Professor S T Bayliss (tel. 0225 826111).

Further written particulars and application forms are available from the Personnel Officer, University of Bath, Bath BA2 7AY, quoting reference 88/233.

Closing date for applications: 11th November 1988

The University of Manchester
Chair in the Department of Accounting and Finance

The University invites applications for a Chair in the Department of Accounting and Finance. No particular specialism is sought and applications from those with expertise in any areas of accounting and/or finance are encouraged. Other Chairs in the Department are occupied by John Arnold and Robert W. Scapens. Salary will be within the normal professorial range, with superannuation benefits. Applications (one copy suitable for photocopying), giving full details of qualifications and experience and the names and addresses of three persons to whom reference may be made, should be sent not later than November 21st, 1988 to the Registrar, The University, Manchester M13 9PL, from whom further particulars may be obtained. (Tel. 061 275 2028) Quote Ref. 239/88/ The University is an equal opportunities employer.

FINANCIAL CONTROLLER

Group Reporting

27-35 **£30-35,000 Package + Exec Car** **London**

Burton Group Financial Services is one of the fastest growing areas of The Burton Group Plc. Operating Europe's leading retail credit card business, and handling over 2.5 million cards, it manages assets in excess of £450 million. Not only does it provide an important support role to the retail businesses, but more recently it has extended its services to share dealing and mortgage and insurance broking, which currently operate through several subsidiary companies.

Your role will be to collate and consolidate the Group's financial and management accounting information, ensuring standard accounting practices and Group policies are adhered to and objectives are achieved. You will control all headquarters' costs as well as a large capital expenditure budget and, in liaison with Internal Audit, monitor and enhance the effectiveness of financial and systems control procedures.

With at least 3 years' post qualification experience, you will have a good command of the requisite technical skills - computerised consolidations, report preparation and interpretation, spreadsheet/graphics techniques, statutory accounting, taxation etc.

To succeed in this fast-moving environment, you will also need to be commercially orientated and able to work to strict deadlines. Your strong personality and excellent inter-personal and communication skills will ensure you co-ordinate all efforts for optimum result, thereby maximising your own rewards and future career success.

Please contact Melinda Hughes or Jackie Hardisty on 0532 446611, quoting Ref No ID67.

ASB
Enterprise House, 12 St. Pauls Street, Leeds LS1 2LE. Tel: 0532 446611.
Also at: Manchester and Liverpool.
ASB RECRUITMENT LTD A Division of ASB Barnett Rimington Plc

JAMES RIVER GRAPHICS, INC.

Finance Director

North West
c £25,000, Car, Benefits

James River Graphics, a division of the *$5 Billion turnover James River Corporation*, is building a $38 Million facility to manufacture speciality coated film products using state of the art production technology at Runcorn, Cheshire.

The typical products will be dry film photoresists for the electronics industry, microfilm for the records retention and information distribution industries and several graphic arts products.

Reporting to the Managing Director, this position will be responsible for providing assistance and advice on all financial matters, concerning the planning and reporting of the business, including compliance with group policies, procedures and practices, including statutory requirements.

Candidates must be Chartered Accountants, aged 35-45, with at least 10 years experience in a manufacturing operation and having prepared statutory returns, taxation and treasury transactions, using computerised accounting systems. The appointee will be highly organised, working in a matrix management approach and have demonstrated commercial acumen and able to get behind the "figures" in advising the management team. Career prospects are very good and there is a generous relocation package.

R.A. Flude, Ref: M15054/FT. Male or female candidates should telephone in confidence for a Personal History Form, ***061-832 3500, Hoggett Bowers plc, St. James's Court, 30 Brown Street, MANCHESTER, M2 2JF.***

Hoggett Bowers
Executive Search and Selection Consultants
BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR
A MEMBER OF BLUE ARROW PLC

UNIVERSITY OF BATH
SCHOOL OF MANAGEMENT

LECTURESHIP IN BUSINESS ECONOMICS/STATISTICS

The School of Management is seeking to appoint a Lecturer specialising in quantitative analysis in the area of business economics and management. The School would be particularly interested in candidates with expertise in the area of business forecasting and market analysis.

There are currently six Professors in the School, and a seventh Chair in Information Technology - funded by ICL - will shortly be advertised. In addition there are some 30 other permanent members of staff.

Members of staff are heavily involved in research, with current research income of the School in excess of £1.25 million.

It is anticipated that the appointment will be made on Lecturer Grade A. An appointment to Lecturer Grade B may be made, exceptionally, if the experience and qualifications of the successful applicant warrant this.

Salary: Lecturer Grade A £9,260 - £14,500
Lecturer Grade B £15,105 - £19,310

Anyone seeking further details is invited to contact Professor S T Bayliss (tel. 0225 826111).

Further written particulars and application forms are available from the Personnel Officer, University of Bath, Bath BA2 7AY, quoting reference 88/233.

Closing date for applications: 11th November 1988

Financial Analyst

Slough **Salary c.£30,000 + car + benefits**

Our Client, Clarke Hooper plc is one of the largest companies within the marketing services industry in the UK. Since going public, two years ago, they have shown true commitment to their long term business strategy and acquired various related companies in North America and Europe, in addition to showing substantial profit increases with every subsequent year. They have ambitious plans for further expansion overseas and have identified the crucial need for a Financial Analyst to assist with the company's anticipated growth and development.

Reporting directly to the Group Financial Director, the successful candidate will have responsibility for providing detailed investigative reports with regards to future acquisitions and statistical analysis reports on the internal performance of the Group as a whole. Excellent future prospects exist for committed and ambitious candidates.

Ideally, candidates will be aged between 26-33, and be graduates with either an accountancy or banking/management qualification of equivalent status, combined with at least three years practical experience in an acquisitive or corporate finance environment. Good communication skills and an entrepreneurial approach are essential attributes for this challenging and diverse role.

Interested candidates who meet these criteria should send a full curriculum vitae including current salary and a day time telephone number, to Carol Jardine, quoting reference LM098, to Spicers Executive Selection, 13 Bruton Street, London W1X 7AH.

SPICERS EXECUTIVE SELECTION
A MEMBER OF SPICER & OPPENHEIM INTERNATIONAL

FINANCIAL CONTROLLER
THAMES VALLEY

We are a highly successful, privately owned Marketing and PR Consultancy servicing a growing business to business client base. We are seeking an energetic, bright, commercially aware accountant with good PC computer skills. You will need to combine a "hands on" role with taking charge of management and statutory accounts and exercise considerable influence over the planning of our commercial future. *Write in confidence with your CV, stating your current salary and package to: Nicholas H. Taylor, Kenwolde Manor, Callow Hill, Virginia Water, Surrey, GU25 4LF or telephone 01-759 1967*

Keep Learning in a Dynamic Environment

FINANCIAL CONTROLLER

Recently Qualified A.C.A.

£21,000 + car + substantial benefits

- The CAPITA Group is the fastest growing public sector consultancy in the UK.
- Profits have doubled every year since incorporation.
- Our current Financial Controller has been promoted after 11 months—We now need to appoint a successor.
- 70% of your time is needed for financial control.
- 15% of your time will be spent on Capita's 1989 USM flotation.
- 5% of your time will be spent investigating acquisitions.
- 10% of your time will be working for our Corporate Finance subsidiary.

CAPITA
Consultants to the Public Sector

We are looking for quality—If you have a clean exam record, send your CV to Paul Pindar, Group Financial Director, The CAPITA Group Ltd, Park Gate, 21 Tothill Street, London SW1H 9LL.

INTERNATIONAL APPOINTMENTS

REQUIRED

CHARTERED ACCOUNTANTS/CPA

A leading Kuwaiti Commercial Bank is seeking to appoint Arabic-speaking Chartered Accountants/CPA for its Head Office in Kuwait.

Fresh Graduates and experienced candidates between the age of 25-40 years are invited to apply.

Competitive remuneration packages are offered.

Interested applicants are requested to send a full Curriculum Vitae with a recent photograph to:

CHARTERED ACCOUNTANTS/CPA
P.O. BOX 26238, SAFAT
13123 - SAFAT - KUWAIT

DIVISIONAL FINANCIAL CONTROLLER

LONDON

£30,000 + CAR

THE RETAIL DIVISION of one of Britain's most successful and aggressive performers is the current focus of the group's expansion plans. To maintain their pre-eminence they are committed in their efforts to recruit and retain management personnel of the highest calibre. To complement the Group Function they have a requirement for an accountant with strategic flair and an ability to grasp detail.

Based in Head Office the position will involve review and control of the accounting function for a major division. As a member of the senior management team, time will be spent on project and development work in addition to line responsibility for a large department. Previous exposure to an international trading environment would be a definite advantage.

This position is not for the faint-hearted but offers, for the right candidate, a potential route to senior management in an organisation with major ambitions for the 1990s. Their requirement is for an individual with a maximum of 3-5 years' post-qualification experience who can demonstrate exceptional career progression.

Please contact Gordon Montgomery. Telephone 01-629 8863, Fax 01-408 0961 or write to him at the address below.

BOND ACCOUNTANCY
RECRUITMENT CONSULTANTS
BOND HOUSE, 19-20 WOODSTOCK ST, LONDON W1R 1HF Tel: 01-629 8863

GROUP FINANCIAL CONTROLLER

£35,000

Edinburgh

Our Client is a major British plc in the retail sector. Through a policy of innovation, sound business techniques and value for money, the Group has emerged as a major force in its market.

The Group now requires a Financial Controller, to play a key strategic role in the development and management of a recently acquired business Group based in Edinburgh.

Working closely with the Managing Director, you will be responsible for the management and motivation of the Finance and DP departments. In order to sustain the high standards and levels of success already achieved, you will be required to review current reporting procedures and recommend improvements and changes where necessary.

Candidates should be fully qualified Accountants aged 30-40. Assertive and self motivated, you should be able to demonstrate a proven track record in business and finance. In addition you will require strong analytical skills as well as the ability to manage change.

Please apply directly to Margaret Hendry at Robert Half, Freepost, Mountbatten House, Victoria Street, Windsor, Berks SL4 1YY. Telephone 0753 857181, or evenings on 0753 860673. Fax: 0753 860696.

ROBERT HALF WINDSOR

Financial Recruitment Specialists
London · Birmingham · Windsor · Manchester

ACA'S aged 26-36 years
TAX — CORPORATE - FINANCE — AUDIT/EDP

We have several career opportunities for graduate ACA's with experience gained from within a top 8 firm, of the above sectors, for the following vacancies:

1. If you are aged c30 years and have several years European or US Corporate Tax experience a major bank has a superb vacancy in their advisory services division. £60,000 package.
2. A blue chip merchant bank seeks very high calibre dynamic young graduate ACA's for a trainee corporate finance role. £32,000 package.
3. A leading UK merchant bank seek qualified ACA's for their audit team. £32,000 package.

* * * * *

OBSB OLD BROAD STREET BUREAU LTD
STAFF CONSULTANTS
109 Old Broad Street, London EC2N 1AP. Tel: 01-588 3991

ACCOUNTANTS
£25 - £45,000

Newly qualified to highly experienced ACA/ACMA's for progressive roles – financial, management, systems, control – with dynamic plc.

Write Box A1024, Financial Times, 10 Cannon Street, London EC4P 4BY

Finance Director

South Bucks

circa £40,000 + car

Our client is the European Headquarters of a US public company that manufactures, markets and services high technology equipment. The UK operation, t/o c£35M, has a high profile within the group overall as it manufactures approximately 50% of the Corporation's products of which 80% is exported worldwide. Both the product range and customer base are wide-ranging, the latter including major blue chip companies.

A Finance Director is now sought who will report directly to the Managing Director and be an active participant in the Company's senior management team. The role will manage and co-ordinate all financial matters of the business both internally and externally as well as playing a key part in the planning and running of the business.

Candidates will be aged mid to late thirties and will be graduate chartered accountants. They will have 'hands on' experience of manufacturing and product costing, preferably achieved within an engineering environment. They will also have good commercial experience of UK and European accounting and tax practices, ideally in a US subsidiary. Initiative and drive are essential, in addition to the necessary interpersonal skills to work closely with all levels of management and financial institutions.

Please telephone or write enclosing full curriculum vitae quoting ref. 233 to:
Philip Cartwright FCMA,
97 Jermyn Street,
London SW1Y 6JE
Tel: 01-839 4572
Fax: 01-925 2386

Cartwright Hopkins
FINANCIAL SELECTION AND SEARCH

GROUP MANAGEMENT ACCOUNTANT

ACA/ACCA/ACMA
Aged 25-32
Strong track record
Commercial flair
Exceptional potential

Salary c.£30,000
Quality Car
Large company benefits

Buckinghamshire

This opportunity to join an expanding, medium sized public group, based at its international head office, will appeal to applicants seeking variety plus excellent career prospects.

Responsibilities include the coordination/interpretation of regular management accounts and annual operating plans for the Group, liaison with overseas subsidiaries on transfer pricing and other intercompany matters, the maintenance of effective measures of product profitability for each of the businesses and the upgrading of reporting procedures and management information systems. Other ad hoc duties will include major project appraisals, acquisition studies and support for new ventures.

The Group, with a turnover approaching £200m, is a leading international force in advanced technology products. Intensive research and development coupled with vigorous management policies are designed to guarantee its competitive edge.

Applicants for the post should write briefly enclosing a CV or telephone for a personal history form, quoting ref. 5155, to Carol Newberry, Consultant – Industrial and Commercial Division.

RECRUITMENT SELECTION & ADVERTISING
EXECUTIVE CONNECTIONS
43 Eagle Street
London WC1R 4AP Tel: 01-242 8103

HIGH PROFILE ACCOUNTANT
c£25,000 p.a.
(Not necessarily qualified)

DESIGN/PROPERTY PLC GROUP ENJOYING METEORIC GROWTH DEMAND COMMITMENT AND ENERGY. IN TURN RESPONSIBILITY WILL BE GIVEN RAPIDLY. EMPHASIS ON EXPANSION PROGRAMMES. LONDON AREA. AGE 25-39.

Meridian Accountancy Rec Cons
01 - 255 - 1555
25 Museum St/ WC1A 1JT.
Fax 01-487-3018

FINANCIAL CONTROLLER c £35,000 PLUS BENEFITS

Our client, a London-based lending bank require an ACA, aged 27 to 35 ideally. You will possess above average academic records and be able to demonstrate significant career progress to date in a U.K.-based lending bank. Excellent interpersonal skills, sound commercial judgement and energy are required to succeed in this demanding role.

In the first instance, please contact David Paton, Executive Search Division, Hymas Associates Ltd., International Business Centre, Wells House, 77-79, Wells Street, London W.1. Tel: 01-580-3522

FINANCIAL CONTROLLER
£25,000 + CAR
CENTRAL LONDON ACA/ACCA

Required by rapidly expanding Tele-Communications Co. Heading dept of 12, you will report to the Finance Director. Performance monitoring and analytical review experience essential. 3 years P.Q.E. Ideal age late 20's to early 30's.

In the first instance, please contact Mr. Nick James, Exec Search Division, Hymas Assoc Ltd., Wells House, 77-79, Wells Street, London, W.1. Tel: 01-580-3522

Benefit from experience !

Controller, FCMA, FCCA, German, 55 yrs, long-term experience UK/US Corp., 24 years UK, bi-lingual English/German, working French, seeks post anywhere UK or Continent.

Write Box A1019, Financial Times, 10 Cannon Street, London EC4P 4BY

Financial Management in International Oil and Gas

SUN OIL BRITAIN LTD is already established in the UK as an active North Sea operator. Now, following a major restructuring decision, London has been selected as the base for servicing SUN'S expanding international exploration and production activities. A new organisation SUN INTERNATIONAL EXPLORATION AND PRODUCTION COMPANY, to be based at modern offices at Hammersmith, will be formed to serve all upstream operations outside North America. As well as Europe these will include SUN subsidiaries in Africa, South America and the Far East.

The consequent staff build-up in London will include a significant increase in the size and scope of our Finance group, where excellent opportunities will become available for high-calibre Accountants and Finance Managers. Immediate opportunities exist at management level for the following:

★ Corporate Accounting Manager – with responsibility for control of the monthly financial reports, input to quarterly and annual reporting packages, management of the international service company functions and development of a team of six staff.

★ Joint Venture Accounting Manager – to manage the accounting for SUN'S interests both operated and non-operated, in oil and gas joint ventures, participate in the negotiation of joint venture agreements and provide direction to a staff of five.

★ Joint Venture Audit and Compliance Specialist – to manage and contribute to all SUN non-operated joint venture audits, develop and maintain policies and procedures, input technical advice and proposals to SUN'S senior management and undertake special project work (including training development programmes).

Applications are invited from ambitious professionals with a background in oil exploration and production or similar multinational company environments.

Remuneration and salary packages are excellent and will include company car, pension scheme, life assurance, BUPA and other large company benefits. Relocation assistance will be considered.

To find out more about these challenging opportunities, we ask you to contact (by telephone or by letter and curriculum vitae) our retained consultant – Gerard Davies, Executive Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH. Tel. 01-831 2000 and 01-367 6412 (evenings and weekends). Full confidentiality is guaranteed.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

INVESTIGATIONS ACCOUNTANT

Avon **c£25,000 Package + Car**

This outstanding career opportunity is with a major autonomous subsidiary of a leading UK public quoted group. The company has a turnover of around £180m from its principal activity of wholesale distribution through an eighty branch network.

Reporting to the Finance Director this senior management position holds responsibility for a wide variety of finance related tasks including:

- ★ Analytical review of operations to identify opportunities for increasing return on sales and return on funds invested.
- ★ Initiating and monitoring plans to improve Branch profitability and potential.
- ★ Evaluation and investigation of potential acquisitions.
- ★ Preparation of capital applications for major projects.

Candidates should be qualified accountants (ACMA/ACCA/ACA) with an above average commercial aptitude who can demonstrate the ability to operate proactively and think strategically in a fast moving environment. Equally important are strong communication skills as there will be considerable liaison with operational personnel both at Board and Branch level.

In addition to an excellent remuneration package, which includes a profit related bonus, relocation expenses will be met in appropriate circumstances.

Local interviews will be held both in Avon, and elsewhere in the UK as appropriate but in the first instance please telephone Alyn Pearce ACA on (0742) 754015 or write to him at our Sheffield office quoting Ref: 888/293FT.

Daniels Bates Partnership
PROFESSIONAL RECRUITMENT

Daniels Bates Partnership Ltd.,
Fountain Precinct,
Leopold Street Wing, Sheffield S1 2GZ
Tel: (0742) 754015.
Also at: Leeds, Darlington, Manchester, Hull, Middlesbrough, Nottingham and Aylesbury.

Finance Director

£27K + Car
South Midlands

The construction division of a large and successful holding company wishes to recruit a Finance Director following internal promotion. The business has expanded rapidly in recent years and the division currently has a turnover of £65m with 600 employees.

Reporting to the division's Managing Director and as a member of the Board, the role is critical to the successful and continuing expansion of the operation. The job is a wide ranging one, with involvement in monitoring the financial performance of subsidiary units through to developing business strategies.

Specific responsibilities will include:

- * monitoring the financial performance of a number of diverse operations
- * managing a property company
- * vetting development appraisals
- * assessing risk capital requirements for new ventures
- * liaison with financial and legal institutions
- * developing management information systems

Ideally aged 30-45, you should be a qualified accountant with a background in the construction industry and a high level of commercial awareness. Your ability to liaise directly with a wide range of people will be a key element in achieving success. Experience of multi-site operations and the flexibility to focus on detailed financial issues as well as working on strategic developments are also important requirements.

Send a full CV detailing your current salary and quoting reference number MCS/8835 to
Steve Redwood
Executive Selection Division
Price Waterhouse
Management Consultants
Livery House
169 Edmund Street
Birmingham B3 2JB

Price Waterhouse

ACCOUNTANCY ROADSHOW

WEDNESDAY 26TH OCTOBER
FROM 6 PM

RUEBENS HOTEL VICTORIA

Xpert

You might be a qualified Accountant with ten years experience, or just starting out in the Accountancy world.

Whatever your background, you can be assured of a warm welcome at our Xpert Accountancy Roadshow.

This is an exciting opportunity to come along and talk to the people who specialise in the Accountancy business, and discuss your career expectations.

If you are unable to attend this open evening, you can still talk to the Xperts on

TELEPHONE 01 828 9919

XPERT ACCOUNTANCY
201 VICTORIA STREET
LONDON

An unqualified success with unlimited potential

CORPORATE FINANCE EXECUTIVE

Mayfair **To £28K + Car**

Success is relative. What satisfies one business, may simply whet the appetite of another. Where some entrepreneurs become happy with their lot, others are far from content.

In this context of ambition and commitment this prestigious client's search for expansion can be fully appreciated. For having established UK dominance in a thriving retail sector, their reaction has been refreshingly positive - to turn to Europe. New markets calling for new ideas and new faces.

This new opening epitomises their enterprise culture. An influential role in an elite Corporate Finance division, it is an ideal opportunity for a qualified accountant with undoubted talent and unfulfilled ambition. Your brief will be anything but routine, involving key project work surrounding the implications and commercial possibilities that 1992 will bring. It is an up-front role, pitting your financial wits in an increasingly competitive business context, involving policy reviews and practical recommendations.

Young and enthusiastic, you must have significant exposure to mergers and acquisitions, gained in the profession or in commerce/industry, together with a confident and enterprising style.

Career opportunities are virtually unlimited, as you will soon assume a position of respect and influence throughout the entire Group, including the prospect of a senior business management position in the UK or Europe.

If you don't wish to remain a limited success, please contact, Charles Austin or Simon Hewitt, quoting ref: 198, at Mervyn Hughes International Limited, Management Recruitment Consultants, 63 Mansell Street, London E1 8AN. Telephone: 01-488 4114.

MERVYN HUGHES

Financial Controller

West End

£28,000 – £30,000 + Car

Our client is regarded as one of the most rapidly expanding financial and marketing consultancy groups in London and throughout the South East. As a direct result of development and achievements to date coupled with ambitious plans for the future this new appointment of Financial Controller is to be made to assist with and participate in the next expansion phase of the business.

The new appointee will report directly to the main board and responsibilities will include all aspects of financial and management reporting, budgeting, forecasting and the use of computerised accounting systems. Administrative functions will also be covered and it is therefore vital that a commercial attitude is brought to the role to assist in such matters as the set up of new offices both in the UK and in Europe.

Candidates, aged 28-32, should be qualified accountants who have had ideally both large corporate experience and a practical approach in a smaller environment. Enthusiasm, an ability to take initiative and an ambition to be part of a small, fast growth management team are essential.

Please telephone or write enclosing full curriculum vitae quoting ref: 234 to:

Philip Cartwright FCMA,
97 Jermyn Street,
London SW1Y 6JE

Tel: 01-839 4572
Fax: 01-925 2336

Cartwright Hopkins

FINANCIAL SELECTION AND SEARCH

General Appointments Appear Every Wednesday

Accountancy Appointments Appear Every Thursday

Director of Finance

HERTS, c.£32,500 + CAR

This is a high profile appointment within a key division of an expanding and successful services company operating in the high technology marketplace. Current turnover is around £10m and the future business strategy includes expansion within the UK and into Europe over the next three years. There is now a requirement to strengthen the first line management team with an enthusiastic and astute Director of Finance.

As an executive member of the Divisional Board, reporting to the General Manager, you will play a leading role in the overall direction and management of the business. A key initial objective will be to strengthen the finance team to provide timely and accurate financial and management information and support the ongoing development of the business. You will be expected to make a major input to the implementation of a new IT strategy across the division and play an active part in future acquisitions.

A qualified accountant in your early 30's, you must have broad based financial and management accounting skills and previous experience of senior line financial management at divisional or corporate level within the product services sector. Experience of implementing computerised financial and business control systems would be of particular interest. A strong business awareness and the ability to determine commercial priorities will be the key to success in this role.

Résumés, please, including a daytime telephone number and current remuneration package, to Ann Shepherd, Ref. A5987, Coopers & Lybrand Executive Resourcing Limited, Shelley House, 3 Noble Street, London EC2V 7DQ.

Executive Resourcing — Coopers & Lybrand

CORPORATE FINANCE

UK Merchant Bankers

Graduate ACAs/lawyers Aged 24-28

Salary c.£26,000
Car
Mortgage
Profit share
Prospects limited only by ability

Intellect, commitment and potential are the essential prerequisites sought by my well respected clients in their search for TWO outstanding executives.

Working in one of the most vigorous operations in the City, you will be capable of overcoming a steep learning curve and participating fully in a diverse range of assignments. These embrace financial advisory, capital raising, corporate reconstruction, management buyout and merger/acquisition roles. Whilst acting for a wide cross-section of large companies and groups, with an increasing emphasis upon cross border work, the department also has considerable numbers of small company clients seeking public company status.

The bank is a City leader and enjoys a global reputation for outstanding service and applied expertise. It is in turn part of a diversified, international financial services group which employs around 7,000 people worldwide.

If you are interested in this exceptional opportunity, please write briefly enclosing a CV or telephone for a personal history form, quoting ref. 5150, to Nicola Woolf, Consultant – Banking/Finance Division.

RECRUITMENT SELECTION & ADVERTISING
EXECUTIVE CONNECTIONS
43 Eagle Street
London WC1R 4AP Tel: 01-242 8103

DIVISIONAL FINANCIAL CONTROLLER
CITY £40-45,000 + MORTGAGE AND CAR

The client is a leading international merchant bank. Your brief will include the management of the financial control function and the provision of strategic financial and corporate financial advice relating to acquisitions and disposals. You should be graduate ACA, aged 32-40, with demonstrable management skills obtained within an international commercial or professional accountancy firm.

ACA - VENTURE CAPITAL GROUP
CENTRAL LONDON £27-30,000 + CAR

The company is one of the largest providers of long term equity finance. You will train to manage a portfolio of investments embracing management buy-outs, venture and development capital, start-ups and BES. You should be ACA, aged to 30, and with substantial experience gained within the Corporate Financial or Investigations Division of a major firm of Accountants.

MERCHANT BANK
CORPORATE FINANCE EXECUTIVE
CITY £27 to £30,000 + MORTGAGE AND CAR

Your role will be totally project based, involving all aspects of client negotiations and advice, money raising, mergers, acquisitions and Stock Exchange listings both full and USM, with future secondment to New York, Paris or Hong Kong. You should be qualified ACA, two years PQE up to Manager level, ideally with corporate finance or investigations exposure.

RETAIL - DEPUTY FINANCIAL CONTROLLER
CENTRAL LONDON £25,000 + CAR

An opportunity to contribute to the business management and profitability of one of the most prestigious UK groups. You will oversee the entire financial management information function, introduce new controls and review both product and corporate profit levels. You should possess experience of financial analysis, MIS developments and staff supervision and be recently qualified.

TELEVISION COMPANY
CENTRAL LONDON c£22,000 + CAR

A newly created role reporting directly to the FD and with a strong project and assignment bias. Corporate performance reporting, financial and business analysis and ad hoc investigative tasks are included in the brief. You should possess a solid "hands on" approach and can expect promotion to subsidiary company in under two years.

For further information, please telephone 01-242 0344/8509 (outside office hours 0293 884917) or write, enclosing CV, to the address below.

Telephone: 01-242 0344 *Hanover House, 73/74 High Holborn WC1V 6LS.*

DAVID CHORLEY ASSOCIATES

CAREER MOVE FOR A PROFESSIONAL ACCOUNTANT

GROUP ACCOUNTING

A recently qualified accountant is sought by the Head Office of this highly successful international hotels and catering group. This is an exceptional opportunity to gain invaluable experience within the central finance department of a major group. You will join the team responsible for a range of activities including consolidation of the group statutory reporting and handling certain subsidiary company accounting records.

The successful candidate will be working in a sophisticated complex and high profile PLC with a wide range of international growth orientated businesses, that offer excellent career prospects.

Suitable candidates, male or female, should be fully qualified accountants ideally aged in their early/mid twenties. They are likely to be seeking their first commercial appointment from a major or medium sized accounting firm and should have enough flair to work with limited supervision.

An attractive salary is offered and, in addition, our benefits are those associated with a large blue chip group.

If this challenge appeals to you, please send your CV including current salary to Pauline Lincoln, Personnel Officer, Trusthouse Forte PLC, 166 High Holborn, London WC1V 6TT.

Trusthouse Forte PLC

Newly or Nearly Qualified Accountant

c£20,000 London SW1

CIN Management Limited is a wholly owned subsidiary of the British Coal Corporation, responsible for managing the assets of the British Coal Pension Schemes; with assets of over £10 billion, it is one of the largest institutional investors in the country. An opening has become available for a Deputy to the Subsidiary Company Accountant/Compliance Officer in our Victoria head office.

A newly or nearly qualified accountant, you will form part of a small team responsible for the accounting, secretarial and administration functions for the Schemes' subsidiary companies, including tax planning. In addition you would also be involved in monitoring Company's compliance with the IMRO rules. Experience of working in an investment environment and using personal computer systems would be desirable but is not essential. You must be capable of quickly assimilating complex situations and of working to deadlines under pressure.

Attractive terms and conditions of service include a negotiable salary, depending on age and experience, plus 29 days' holiday entitlement and a home to office travel allowance.

Please write enclosing full career and personal details, stating current salary to:

Director of Staff and Administration
CIN Management Limited
PO Box 10
London SW1X 7AD

FINANCIAL CONTROLLER

Central London £26,000 + Car + Bonus

Westminster Health Care Limited, a well established and rapidly growing subsidiary of a Fortune 200 Group, is recruiting for a financial controller.

Westminster Health Care has quickly become a major force in the Health care industry, operating a significant number of nursing and residential homes. We are continuing an aggressive expansion programme to develop and operate state-of-the-art homes throughout the UK & Europe.

As an essential member of a small central management team, you will report directly to the Chief Financial Officer and be responsible for all aspects of accounting and MIS.

We require an experienced qualified accountant with exposure to small computer systems, preferably in a LAN environment. The position requires a hands on take charge individual with good organisation, communication, and management skills.

With a substantial annual growth rate, the opportunity for career advancement is considerable.

For immediate consideration please write with full career details to:

Chief Financial Officer
Westminster Health Care Limited
Panton House, 25 Haymarket, London SW1Y 4EN

SYSTEMS ACCOUNTANT

to £24K + Car

A major challenge for a systems accountant with Europe's largest estate agents.

As part of our large systems development program we are implementing a popular mainframe accounting package across our regions which have their own hardware. This is an opportunity for an ambitious accountant with systems experience to move into a team leadership role.

You will be working closely with the accountants in the regions and your main responsibilities will be planning the implementation of the accounting packages and leading their successful implementation in selected regions.

You should be a confident and clear communicator, have solid accounting experience and be prepared to tackle the more technical aspects of systems accounting.

You are likely to be currently working in a team implementing accounting systems but are ready to take on more responsibility.

If you are keen to contribute to major systems development please send your c.v. to Susan Jones, Accounting Systems Project Manager, Prudential Property Services, 15-27 Gee Street, London EC1V 3RU.

PRUDENTIAL
Property Services

INTERNATIONAL APPOINTMENTS

TAKE YOUR CITY SKILLS — OFFSHORE

One year ago Mondial opened its first office overseas — now the Company is the fastest growing international financial services organisation, located in Northern and Southern Europe, the Middle East, Hong Kong, East and Southern Africa. Our aim for continued growth creates opportunities worldwide for high calibre people to market top quality investment services to the thriving expatriate communities.

If you are ambitious enough to join a company which is rapidly becoming a worldwide success — and want the high earnings which reflect your commitment, then send your CV to:

Peter Bray at Peter Bray Associates,
3 Blake House, Admirals Way, Waterside, London E14 9UF

Mondial

INTERNATIONAL ACCOUNTANT

PARIS-BASED

Publicis is one of the world's leading advertising and publicity groups. An opportunity exists to join the team working on the consolidation of financial accounts and reports for European subsidiaries.

You will have specific responsibility for ensuring that the accounts of our Dutch holding company are produced properly and on time, and in line with Dutch conventions and fiscal regulations. You will also undertake internal audits of European subsidiaries.

The position is based at Publicis Headquarters in the Champs Elysées and will involve regular European travel, particularly to Amsterdam.

You must be a qualified accountant, ideally Dutch and certainly tri-lingual in Dutch, French, and English. Around five years' experience is required, gained either in an audit firm or an international company and including work on PC-based systems.

Please send your cv in confidence to: Gunter Ludemann, Publicis International, 127 av. des Champs Elysées, F - 75008 Paris.

PUBLICIS INTERNATIONAL

Group Financial Controller

London W11 **Circa. £35,000 + BMW + Share options**

Blenheim Exhibitions Group PLC has rapidly established itself as the leading independent exhibition organiser in both the UK and Europe. This period of exceptional growth has been achieved through an aggressive acquisition strategy coupled with strong organic growth and is largely attributable to the group's young, high-calibre and forward-looking management team.

As a result of this expansion, the group is looking for a dynamic and energetic Group Financial Controller who will also become a key member of the UK board.

Reporting to the Group Finance Director, you will be directly responsible for group reporting, financial planning, treasury management and financial control throughout the group. Ideally you will be aged 28 to 35, a graduate chartered accountant with multi-national reporting experience, possess sound commercial judgement and be able to demonstrate significant career progress to date.

This new role will appeal to candidates who want to work for a fast moving group, in a close-knit busy environment, where a "hands-on approach" is essential. It offers a significant opportunity for the ideal candidate to play a key role in the group's future development.

Please apply with a full cv to:
Helen Long, Blenheim Exhibitions Group PLC, Blenheim House, 137 Blenheim Crescent, London W11 2EQ.

BLENHEIM EXHIBITIONS GROUP PLC

EXECUTIVE DIRECTOR FINANCE
£50,000 PLUS QUALITY CAR

Fast growing multi national group requires energetic young Finance Director. The group is based in Romford, Essex, and has some 25 overseas subsidiaries involved in both manufacturing and trading.

We are looking for a high flyer with experience in corporate finance in overseas trading, and in the financial management and control of overseas subsidiaries. Candidates with experience in public listing of companies and city dealings would have an advantage.

Good career prospects and excellent benefits.

Write Box A1026, Financial Times, 10 Cannon Street, London EC4P 4BY

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday October 20 1988

INSIDE

Ramifications for Australian wool

Wool has regained the honour of being Australia's leading export, partly due to the introduction of new sheep breeding techniques. But the growing export of genetically superior Australian rams comes amid charges that the country's hard won competitive edge is being squandered for a few million dollars. Chris Sherwell looks at the debate that has ramifications for the world's wool industry. Page 40

Engineering a good bet

Heavy engineering and shipbuilding shares have proved the best performing equities in the world this year, soaring 93 per cent in sterling terms. If you had bought these stocks in Japan, you could have seen a jump of 105 per cent over the nine months, despite the fact that the Tokyo market ran out of steam after its impressive first-quarter performance. Patrick Harverson reviews the best bets in world stock markets this year. Page 44

Bond AGM reveals A$7bn debt

The AGM of Bond Corporation, broadcast by satellite yesterday to Sydney, Melbourne and Brisbane showed that Mr Alan Bond's (left) flagship, and now one of Australia's largest companies, had debts of more than A$7bn (US$5.7bn). Asset sales by the year-end would "significantly reduce" the debt but new acquisitions were not ruled out. To this end, Mr Bond confirmed the purchase of the 800-room St Moritz hotel at the southern end of Central Park in Manhattan. Chris Sherwell reports. Page 25

Latin American crisis study

The Latin American debt crisis of the 1980s has many parallels with that of half a century earlier. But there are also significant differences — the most important being the contrast in lenders to the potentially defaulting debtors. A new study suggests, however, that many of our views of both periods should be revised. Stephen Fidler examines the report's arguments and conclusions. Page 27

Hawker boosts profits 10%

Hawker Siddeley, the UK electrical and mechanical engineering group, boosted interim pre-tax profits over 10 per cent to £80.6m ($140m). A lower Australian tax rate pushed this into a near-15 per cent rise in earnings and Sir Peter Baxendell, chairman, said order book levels showed an "encouraging upward trend", even stripping out some "lumpy" contracts such as this summer's £120m three-year order for British Rail locomotives. Page 26

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				GTM Entrepose	718	+	71
Rises				Gerlan	169	+	12
Kaufhof	427.8	+	13.3	**Falls**			
BMW	539	+	15	Luchaire	343.5	–	15.5
Linde	714	+	14	**Falls**			
Falls				BIS	227	–	7.7
Mederl	405	–	10	Avions Dassault	651	–	18
Bayer Hypo.	383	–	5	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Michibeshi	1940	+	300
CPC	58⅝	+	1⅛	Nippon Yakin	1100	+	100
Dow Chem.	91⅝	+	2⅞	Nichiei	1050	+	98
Kraft	92⅞	+	2⅜	**Falls**			
Apple	40	+	1	Kumai	980	–	70
Falls				Takuma	792	–	56
Wang	8⅞	–	⅝	Hokkaido Bkt	2500	–	170
AMR	45⅞	–	⅞				
PARIS (FFr)							
Rises							
Soc. Generale	546	+	58.5				
LONDON (Pence)				Marshalls H'fax	245	+	7
Rises				Meyer Int.	409	+	7½
ASD	426	+	35	Nat. West.	550	+	11
Bass	799	+	9	Priest Marians	407	+	9
Borthwicks	82	+	6	Reckitt Colman	880	+	25
Brit. & Comm.	241	+	10	Royal Bk. Scot	385	+	8
Bunzl	242	+	8	Slebe	385	+	7
Burndene	186	+	12	Utd. Biscuits	307½	+	21½
Cadbury	397	+	8	Vaux Grp.	601	+	13
Cowie (T.)	150	+	6	**Falls**			
Hawker Sidd.	543	+	9	Chamberlain Ph.	186	–	8
Heath (CE)	454	+	7	Cons Gold Flds	£12⅞	–	⅜
Interlink Exp.	243	+	10				
Lloyds Bank	329	+	10				
Lodge Care	219	+	17				

Olayan sees greater role in First Boston

By William Dullforce in Geneva and Finn Barre in Riyadh

MR Suliman Olayan, the billionaire Saudi financier who is playing a key interim role in the restructuring of First Boston, the US investment bank, may end up with a more long-term interest.

The Olayan Group is supplying $600m in bridge financing for the $1.1bn merger of First Boston with its European affiliate, Credit Suisse First Boston, to form CS First Boston. In return it will hold a 30.5 per cent stake in the new entity while permanent investors are found, probably in Japan.

But yesterday Mr Olayan said: "After the desired investors are located to take the biggest portion of the 30 per cent, we are expected to keep some of the equity as a permanent investor." This could be 6 to 8 per cent of the new company.

Credit Suisse, the Swiss bank, said it would take a majority stake in New York-based CS First Boston if changes in US bank legislation make it possible.

The right to acquire a majority shareholding had been secured with other shareholders in the deal negotiated earlier this month with the board of First Boston.

At present, because of the restrictions imposed by the US Glass Steagall Act, which separates commercial from investment banking, Credit Suisse Holding owns only 44.5 per cent of CS First Boston.

But pressure has been mounting in the US to abrogate the Glass Steagall Act, whose strict distinction between types of banking business has been crumbling in recent years.

The management of CS First Boston owns 25 per cent of the New York holding company.

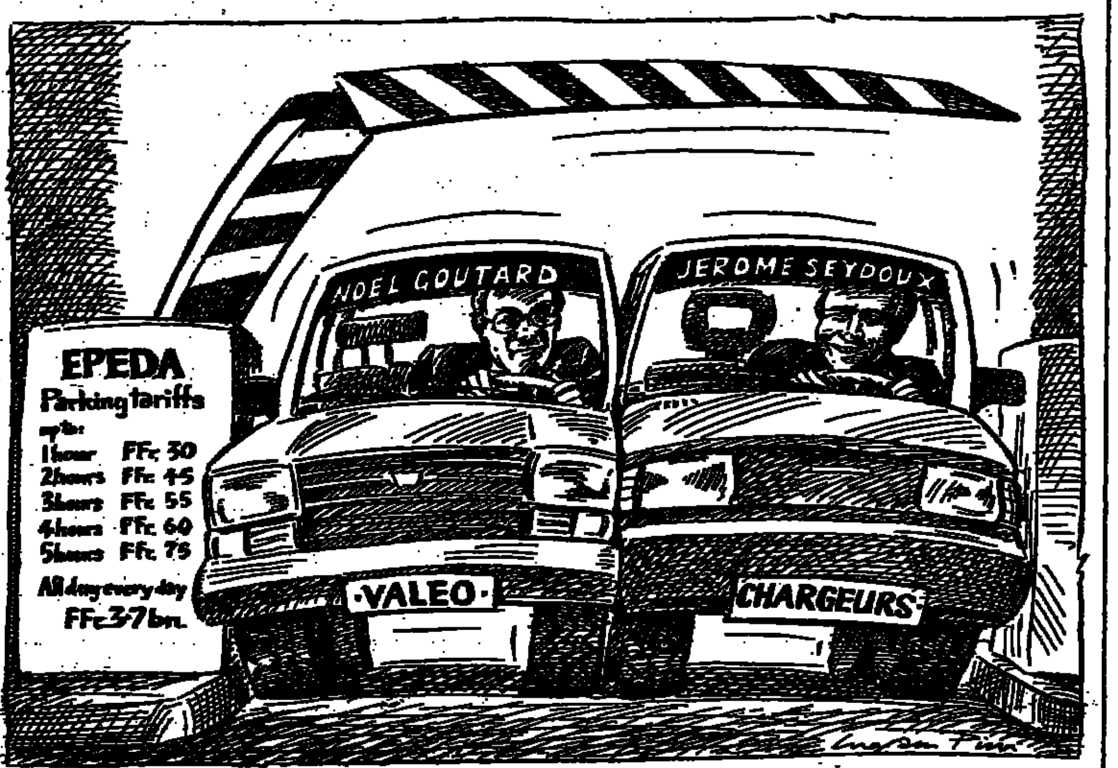
Mr Robert Jeker, president of the executive board of Credit Suisse, said yesterday that, while Credit Suisse would take a majority stake in the event of changes in US legislation, it also wanted powerful partners to ensure the success of what he described as "a unique vehicle for investment banking in the 1990s."

Mr Hans-Joerg Rudloff, who will run the London end of the operation, would act as a vital connecting link between the finance and investment banking areas in Credit Suisse and Financière Credit Suisse First Boston, Mr Jeker said.

Mr Rudloff is both chief executive of CSFB and a member of the Credit Suisse executive board.

Mr Olayan said that no bank has yet been selected to provide the funds for the bridging loans, but said obtaining the financing would be easy.

"This is a bankable package," the 68-year-old businessman said.



Lane switch lifts all defensive barriers

Paul Betts explains how yesterday's bid for Epeda is indicative of new financial forces at play in France

MR EDOUARD Balladur, the former right-wing finance minister of France, liked to say in his sententious manner that there were no friendships in business. This was certainly the feeling yesterday at Epeda-Bertrand Faure, the diversified French car seat manufacturer.

It was left high and dry when its prospective "white knight" rescuer from a hostile takeover joined forces with the predator, and with Epeda's own bankers and its main institutional shareholders.

The dramatic turn of events, however, points up far more than the fact that capitalists are red in tooth and claw. The Epeda battle is a classic illustration of the powerful new financial forces and business attitudes — domestic and foreign — which are reshaping both the face of French industry and companies' relations with their shareholders.

Mr Pierre Richier, Epeda's chairman, had been struggling during the past few days to build up his company's defences against a FFr2.3bn ($372m) hostile bid by Valeo, the leading French car components group which came under the management control of Mr Carlo de Benedetti, the Italian businessman, two years ago.

With the help of Banque Worms, the banking subsidiary of one of his main shareholders, the state-owned UAP insurance group, he was hoping to engineer a complex management buy-out backed by Chargeurs, the industrial holding company headed by Mr Jerome Seydoux.

With everybody expecting Chargeurs, which has a FFr6bn cash hoard, to emerge as Epeda's saviour, Mr Seydoux yesterday sprung a major surprise by announcing a joint Valeo-Chargeurs FFr3.7bn cash bid. Epeda was left with little option but to accept the offer.

The lessons of the affair are essentially two-fold. First, financial deregulation in France and the need for companies to compete in increasingly global markets is provoking a major clash between traditional French industrial values and a new aggressive financial culture which is bringing Paris rapidly in line with Wall Street or London.

Until recently, the hostile takeover was virtually non existent in France. The only big exception was the unsuccessful bid 20 years ago launched by Mr Antoine Riboud, the head of the BSN food group, for control of Saint-Gobain, the glass manufacturer.

Almost without exception acquisitions were friendly and foreign buyers were kept at arms length by the finance ministry's formidable protective machinery against unwelcome external bids for French companies.

But these barriers have been coming down with the increasingly open-market approach of the French authorities and the consequent bid opportunities in France for other European countries.

The Italians, in a sense, were the first to take advantage of the new climate. Indeed, it was Mr de Benedetti who helped set the ball rolling when his bid for Valeo two years ago, just as the right-wing government of Mr Jacques Chirac was taking over. Despite an effort by Mr Balladur to block the Italian businessman's bid, an acceptable compromise was finally reached giving Mr de Benedetti management control of the company and a 20 per cent stake.

During the last two years, hostile bids have been multiplying, both from foreign companies and an increasing number of aggressive domestic dealmakers.

The second lesson is the strains this is imposing on the traditional cosy relations between French companies and their institutional shareholders and bankers, which have been playing an increasing role as catalysts for bids. As one banker said: "The gap is growing between the traditional industrialist and the big financial players."

Epeda is a classic case. The company prided itself on its independence, its nuts-and-bolts industrial approach of specialising in a restricted number of specialised market niches including car seats, bedding and luggage, and its steady growth and profitability.

It also typified the virtues and weaknesses of traditional French industry: serious, unflashy, rather provincial in its values, technically inventive, maintaining close relations with its big industrial customers, paternalistic with its employees, and little concerned by corporate communications. As one banker remarked yesterday: "We do a good job and we want to be left alone to do it."

But profitable enterprises like Epeda were exactly the sort to attract corporate predators. Their relative loose capital structure made them all the more promising targets. Epeda woke up to the threat last year and, fearing a foreign bid, acquired control of Luchaire, a car components manufacturer with activities in the defence sector.

Since any foreign bid would have had to be referred to the French authorities for defence clearance, it believed it was safe.

In the event, the predator turned out to be French: Mr Noel Goutard, Valeo's tough chairman, has successfully restructured his company and launched the bid with the aim of giving it the necessary international dimension to compete against other leaders in the field like Bosch, Nippon Denso, General Motors, and Magneti-Marelli.

Now Mr Seydoux, who has textile interests akin to those of Epeda, has also gained a say in the company's future. In many respects, he is typical of the new generation of French businessmen, heading an industrial holding company prepared to launch hostile bids.

One of the heirs of the French Schlumberger fortune, he has been quick to move in and out of different fields as circumstances change. He recently shed his shipping business, which was the origin of his Chargeurs holding company, and has threatened to sell UTA, the independent airline 80 per cent owned by Chargeurs, unless the Government allows UTA to expand in Europe and North America.

This year he also sold his Spontex subsidiary to 3M of the US. In addition, he has invested heavily in television broadcasting.

The emergence of the new predators has made many of the large French groups feel vulnerable to bids and they have been scrambling to find sizeable, friendly shareholders.

But as France undergoes a major reshaping of its industrial and financial landscape, companies like Epeda are bound, ultimately, to be swallowed up.

Abbey Life 'to link with Lloyds'

By David Barchard in London

ABBEY Life Assurance, the second largest unit-linked British life company, is today expected to announce a tie-up worth up to £500m with Lloyds, the smallest of the big four clearing banks.

Dealing in Abbey Life shares was suspended when the London stock exchange opened yesterday morning, but throughout the day neither Abbey Life nor Lloyds would confirm that a deal was imminent. However staff at Abbey Life's Bournemouth headquarters said an announcement would be made today.

The package is widely expected to involve the transfer of Lloyds' financial services subsidiaries either directly to Abbey Life or to a joint venture in return for payment either in cash or shares in the assurance company. City analysts yesterday put the likely value of the deal between £300m and £500m. Suggestions that Abbey Life would pay Lloyds up to £900m for the deal were being discounted.

The form and the amount of Abbey Life's payment depends on which of its financial services subsidiaries Lloyds sells, and whether or not they are sold outright.

A link between the two would probably give Abbey Life access to Lloyds' customer base, enabling it to follow the TSB's in using referrals from bank branch managers to generate life assurance business.

Lloyds is most likely to contribute Black Horse Agencies, its 15-year-old estate agency operation. Black Horse agencies made £8m in the first half of the year. It has about 500 branches and these could fetch over £300,000 each at current market prices. Abbey Life would be able to use them

Another likely candidate for sale is Lloyds' unit trust business. The bank has £650m under management and could expect to get about £30m. Lloyds Bank Insurance Services, its general insurance business, and Black Horse Life, its assurance business, may also be included, though Lloyds' life assurance activities are performing well and the bank may be less eager to part with them.

Lloyds could use the cash from the deal to finance expansion of its lucrative domestic retail banking business without following its rivals, Midland and Barclays, both of which had rights issues in the last year.

Dutch state stake in Fokker group to rise to 40%

By Laura Raun in Amsterdam

THE DUTCH Government is to raise its stake in Fokker, the Dutch aerospace group, to 30-40 per cent in defiance of the aircraft maker's wishes to avoid greater state involvement and increase private ownership. The Government said yesterday that it would increase its present 15 per cent stake through a three-for-two rights issue that will raise a total of Fl 320m ($157m) in new equity. The issue will be held before the end of this year and is part of a financial bailout plan in which The Hague injected Fl 212m in fresh capital last year. Schroders, the UK merchant bank, had offered to take up to Fl 300m in new equity or debt in Fokker on condition that state ownership was limited to the current 15 per cent.

Schroders' offer was seen by some market players as a move on behalf of a company seeking to merge with Fokker, although not necessarily Messerschmidt-Boelkow-Bloehm (MBB) of West Germany, with whom Fokker already has a collaborative pact. It remains to be seen whether Schroders participates in the issue anyway by buying just the rights. Under Dutch practice the rights usually trade before the close of subscriptions, which are open only to existing shareholders.

The issue price was set at Fl 20 a share under terms of the bailout and began depressing Fokker's share price yesterday, pushing it down 6 per cent to Fl 28.40.

Fokker makes short to medium-haul aircraft and is now recovering from heavy losses due to production delays in its 50-seat Fokker 50 propfan and 100-seat Fokker 100 twinjet.

After losing Fl 107m in 1987, it was rescued with a Fl 645m package whereby The Hague took its initial stake and also converted Government credits into subordinated convertible debt.

Fokker fears some dilution from the issue, which will more than double the number of shares outstanding to nearly 27m from almost 11m. For 1988 the company has simply forecast "positive results" after swinging back into the black in the first half of this year.

The issue will also strengthen the balance sheet, however, nearly doubling share capital to Fl 750m and slightly reducing subordinated debt. The state will exercise Fl 180m in convertible subordinated debt, which was extended under the rescue, to enlarge its stake.

Nobel restructures to increase capital base

By Sara Webb in Stockholm

MR ERIK PENSER, the Swedish financier who controls Nobel Industries, the armament and chemicals group, and the two investment companies Asken and Carnegie, revealed plans yesterday to reorganise his empire and concentrate on building its industrial interests.

In a deal valued at SKr10bn ($1.6bn), Nobel Industries is bidding for 100 per cent of both Asken and Carnegie. Part of the bid will be financed by a SKr2bn share issue directed at shareholders in Asken and Carnegie. Mr Penser will as a result increase his holding in Nobel Industries, via his holding company Yggdrasil, from about 43 per cent to about 48.

Mr Anders Carlberg, chief executive of Nobel Industries, said the deal was motivated by Nobel Industries' need to increase its capital base and expand in the consumer goods, adhesives and paints, and pulp and paper chemicals business areas.

He said the company would keep some of the shareholdings and real estate belonging to Carnegie and Asken, and use part to finance strategic acquisitions in the next few years.

Nobel Industries has made several acquisitions in the past year and had a turnover of SKr13.92bn and profits of SKr622m in 1987. However, it has recognised the need to move away from it core defence business.

In recent months Mr Penser has shuffled part of his empire, selling substantial parts of Carnegie which at present consists of a cash pile, real estate and share portfolios.

In May, Carnegie sold its brokerage operations to Pkbanken, the state-controlled bank, for SKr2.7bn causing a political storm in Sweden.

Nobel Industries yesterday reported an increase in profits for the first eight months, from SKr305m to SKr510m. Full-year profits are expected to reach SKr850m, compared with SKr622m last year. Sales jumped 57 per cent to SKr12.815bn in the first eight months.

INTERNATIONAL COMPANIES AND FINANCE

Saab makes strong recovery

By Robert Taylor in Stockholm

SAAB-SCANIA, the Swedish automotive group, has made a strong recovery in its profits during the second four months of this year after suffering a 36 per cent decline in the first four months because of a damaging three-week national white-collar strike.

Profits after financial items for the eight months ending in August totalled SKr1.98bn ($331m) compared with SKr1.80bn for the same period of last year.

Consolidated sales totalled SKr27.62bn for the first eight months of the year compared with SKr25.83bn for the same period of 1987, an increase of 7 per cent.

Mr George Karnsund, chief executive and president, said: "The Scania division is on its way to another record-breaking year. During the autumn, the Saab car division will begin sales of the Saab 900 CD sedan in several major markets, while the Saab aircraft division is enjoying success in sales of the Saab 340 regional commuter aircraft."

Saab-Scania pointed out that its performance over the past four months should be placed against the grim background of the first four months of the year when 1,300 trucks and 8,500 cars were lost in production because of the industrial dispute.

The company admitted that it was unable to produce enough trucks and buses to meet demand, mainly because of a shortage of workers at its Swedish plants. As a result, production has had to be stepped up in Saab-Scania's Holland, Brazil and Argentina operations.

The order book for trucks rose by 21 per cent over the first eight months of 1988, up from SKr11.9bn to SKr14.45bn.

Sales in the car division amounted to SKr10.43bn compared with SKr10.1bn for the first eight months of last year, but there was a fall from 84,100 cars sold to 76,100, mainly because of the strike but also due to the low value of the dollar for sales in the American market.

There was also a slight fall in the sales figures in the company's aircraft division over the first eight months down from SKr2.92bn to SKr2.42bn.

But *Saab-Scania also* announced that during the second four-month period of 1988, it has received orders for 23 Saab 340 aircraft in addition to a number of options.

3M stages further solid growth

By Roderick Oram in New York

MINNESOTA MINING and Manufacturing, the diversified US industrial group, has reported further strong growth in profits and revenues thanks to big sales volumes gains, particularly abroad.

Net profits for the three months ended September rose 18 per cent to $296m or $1.30 a share from $249m or $1.09 a year earlier. Sales grew 9 per cent to $2.69bn from $2.47bn.

For the nine months, net profits rose 26 per cent to $882m or $3.88 a share from $702m or $3.07. Sales advanced 13 per cent to $8bn from $7.06bn.

Overall sales unit volume grew by 8 per cent in the latest quarter with international sales rising 12 per cent as 3M increased its market penetration. Its international operations booked more than $1bn in sales for the third quarter in succession.

Domestic unit volume rose 5 per cent with two sectors — information and imaging technologies and industrial and electronic products — leading the way.

Mr Allen Jacobson, chairman, said: "While it appears US economic growth is moderating and inflation is increasing somewhat, we expect our results to continue to benefit from a strong flow of new products, increased penetration of international markets, efforts to improve quality and productivity and the reduction in income tax rates."

Analysts are expecting 3M's rate of profit growth to slow next year because of a more moderate US economic pace and higher raw material costs. Moreover, recent strength of the dollar indicates that the company will not benefit from favourable foreign currency translations. In the latest quarter, these boosted net profits by $14m, or 6 cents a share.

Nonetheless, 3M's efficiency and flair for product innovation should keep its profits growing at a rate about double that of the US economy.

Huhtamaki shows modest rise

By Olli Virtanen in Helsinki

HUHTAMAKI, the Finnish food, drugs and packaging group, saw its net sales climb by 19 per cent to FM3.437m ($780m) during the first eight months of 1988 while profit before appropriations and taxes increased by only 4.4 per cent to FM149m.

The modest increase in profit is attributed to higher financing and other costs related to acquisitions, which included Lilypak, the Australian packaging group. Foreign exchange losses and increased depreciations also weakened the result.

Operating profit grew by 20 per cent to FM382m. Earnings per share sank from FM5.90 in January-August 1987 to FM5.45 during the same period this year.

The confectionery division, which accounts for 56 per cent of the group net sales, grew by 14 per cent during the period. The packaging division grew by 113 per cent to FM663m while the drugs business increased its net sales by 15 per cent to FM891m.

Huhtamaki said Leaf Inc, the Chicago-based confectionery division, had acquired Hollywood Brands.

Shippers move to buy carriers

By Kevin Brown, Transport Correspondent

A GROUP OF shipping entrepreneurs yesterday announced plans to take advantage of recent improvements in the medium-term outlook for the main shipping markets by raising $70m to finance the acquisition of a fleet of second-hand bulk carriers.

In a statement filed with the US Securities and Exchange Commission, the group said it planned to raise the funds through a placement of 4¼m shares in Global Ocean Carriers, a new company registered in Liberia.

Global, which will be quoted on the American Stock Exchange in New York, plans to acquire six ships for around $57m. However, the company will operate as an investment vehicle rather than as a shipowner.

Global's articles of association will stipulate that the company will be liquidated after trading for six years, unless a two-thirds majority of shareholders vote to continue in business.

The company's ships will be managed and operated on contract by independent companies based in Athens. Potential investors will be offered a high quarterly dividend on tradeable shares with the prospect of a capital gain when the ships are scrapped or resold.

Global will be chaired by Mr Alan Kennedy, a former chairman of Cunard, the shipping division of Trafalgar House, the UK construction and property group. The executive directors will include Mr Joachim Chao, a member of the Wah Kwong shipping dynasty of Hong Kong, and Mr Nicholas Tsakos, son of the chairman of Tsakos Shipping of Greece.

The proposal follows a significant increase in freight rates in the dry bulk market, which has recovered steadily since its low point in mid-1986. However, rates are still too low to justify the cost of ordering new ships.

Credit Suisse forecasts 'decisively better' results

By William Dullforce in Geneva

CREDIT SUISSE will post a higher cashflow and "decisively better" net earnings in 1988, Mr Robert Jeker, president of the executive board, said yesterday.

Switzerland's third largest bank, which recently announced the creation together with First Boston of an important new international investment bank, had a successful first nine months, marked by an impressive growth in lending, Mr Jeker said.

Last year, Credit Suisse reported a net profit of SFr550m ($360m), down from SFr566m in 1986, and a cash-flow of SFr1.18bn. The 1987 result was badly affected by the stock market crash in the fourth quarter, an event unlikely to be repeated this year, Mr Jeker said.

With credit demand at a high level, income from commercial banking operations will increase this year, offsetting "significantly lower" commissions from securities business.

Total assets at the end of the third quarter amounted to SFr113.7bn, a rise of SFr6.5bn since the beginning of the year. The bulk of the increase is attributable to the strengthening of the dollar.

Mr Jeker said profitability had been a major consideration in 1988 and Credit Suisse had deliberately exercised restraint towards interbank business.

Henkel sees increase in 1988 turnover

By Our Financial Staff

HENKEL, the West German applied chemicals concern, said it expects group turnover to rise above DM10bn in 1988 for the first time, from DM9.26bn ($5.14bn) in 1987.

In an interim report detailing the company's performance in the first nine months of 1988, Henkel said 1988 net profits should grow at a stronger pace than sales, as in past years, resulting in further improvement in the profit-sales ratio.

The profit-sales ratio stood at 3.2 per cent in 1987. Henkel said profits rose significantly in the first nine months but gave no details. Group net profit in 1987 was 292m.

In the first nine months of 1988, Henkel's group turnover rose to DM7.71bn from DM6.93bn in the 1987 period, a rise of 11 per cent. Volume sales also rose by 11 per cent.

Half of the rise in nine-month sales was due to acquisitions in 1987. Domestic turnover rose to DM2.29bn from DM2.21bn in the 1987 period.

Orkla lifts profits

By Our Financial Staff

ORKLA BORREGAARD, the Norwegian industrial and investment group, lifted eight-month operating profits after financial items from NKr287m to NKr314m ($47m), as sales rose from NKr4.5bn to NKr4.84bn.

Operating profits in the industrial business rose 24 per cent to NKr255m, with favourable progress in wood processing offset by a weak performance in the media business.

GPA flies ahead by 59% in half

By Kieran Cooke in Dublin

GPA, the aircraft leasing group based at Shannon in the Irish Republic, has announced a $71.8m profit for the first six months of the financial year, up 59 per cent on the same period in 1987.

Mr Tony Ryan, chief executive, says he is confident that full-year profits to the end of March will be well in excess of last year's profits of $101m.

GPA is the world's largest aircraft leasing company and has a total fleet of 148 aircraft, with a book value of $2.3bn. GPA is a privately-held company with a 10 per cent stake held by Mr Ryan.

Other major shareholders include Air Canada, Mitsubishi Trust and Banking and Prudential Insurance Company of America.

The company is likely to face increasing competition from the newly-formed Aircraft Lease Finance Company.

INTERNATIONAL COMPANIES AND FINANCE

Bankers Trust increases third-quarter earnings

By Anatole Kaletsky in New York

BANKERS TRUST, the sixth largest US bank, whose earnings in the past year have been dominated by large swings in currency and securities trading profits, made net profits of $162.1m or $2.01 a share in the third quarter.

This was higher in total, but lower on a per share basis than the $146.4m or $2.03 reported in the third quarter last year. The bank noted, however, that last year's result was boosted by $18.8m in one-time tax benefits connected with its special provision for potential Third World loan losses. Excluding these benefits, the latest quarter's earnings per share would have been 14 per cent up on a year ago.

The bank reported particularly big advances of 19 per cent in income from corporate finance fees and commissions, as well as a 30 per cent gain in "other" income, primarily due to asset sales and venture capital operations. Its profits from foreign exchange and securities trading were down marginally on last year. Bankers Trust's common equity increased from 4.59 per cent to 5.76 per cent of its total assets, which stood at $57.9bn at the end of September.

First Interstate, the big Los Angeles-based holding company which last year acquired Allied Bancshares in Texas, reported a net loss of $214.4m against a loss of $78.8m a year ago. The loss was due to big provisions for spinning off $400m of non-performing assets into a specially created liquidating pool and the addition of $180m in reserves for foreclosed properties in Texas.

Without these special items, First Intersate said it would have reported a net profit of $94.2m or $1.95 a share in the third quarter. The bank predicted that the fourth quarter's results would reflect an improved operating performance.

Mellon, the big Pittsburgh-based bank, which has also announced a plan to spin off nearly $1bn worth of troubled assets into a specially created institution, incurred a loss of $166m or $6.27 a share, against a profit of $16m or 47 cents a year ago. The latest loss included a $203m restructuring charge.

Mellon's common equity stood at $858m or 2.78 per cent of total assets at the end of September, but the company has firm contracts in place to raise $250m of new equity over the next 10 months.

PNC Financial, another Pittsburgh-based bank, which has been one of the fastest-growing and most profitable of the regional bank groups, made net profits of $110m or $1.23 a share, compared with $97m or $$1.11 a year earlier. The year-earlier results included a one-time capital gain from the sale of a subsidiary and excluding this item, the growth in earnings would have been 15.23 per cent, PNC said.

Manufacturers Hanover ahead

By Robert Vincent in New York

A 50 per cent increase in third-quarter earnings is reported by Manufacturers Hanover, which owns New York's fourth largest bank, reflecting lower operating expenses and higher earnings from several core businesses.

Net income for the quarter was $197.7m or $3.77 a share, compared with $129.1m or $2.73 last time. This year's figure, however, include a $98m after-tax gain arising from the sale of the company's London office building.

The group said that it continued to make progress in restoring common shareholders' equity to 4 per cent of assets by the year-end. This ratio is a barometer of a bank's financial health and US regulators are seeking a minimum 4 per cent ratio by 1992. At end-September the ratio stood a 3.6 per cent of total assets, up from 2.77 per cent a year ago.

Nine-month income was $741.2m or $14.28 a share. For the same period last year the bank recorded a loss of $1.16bn, reflecting the decision to increase the credit loss reserve by $1.7bn. Without this additional provision, net income would have been $263.3m or $5.41 a share.

The company has reduced non-performing assets, aside from those to Brazil, Ecuador and Argentina, by $225m in the latest three months and $550m in the past year. At the end of the quarter the total figure stood at $1.64bn. The reserve for possible credit losses now stands at 5.03 per cent of total loans, up from 4.78 per cent a year ago.

Strong performance by AMR

By Roderick Oram in New York

AMR, parent company of American Airlines, the second largest US domestic carrier, yesterday reported another big jump in profits and revenues.

"Strong growth in both traffic and yield, coupled with effective cost control and lower fuel prices resulted in our best third quarter earnings ever," said Mr Robert Crandall, chairman.

Net profits for the three months ended September were $156.3m, or $2.50 a share, against $97.1m, or $1.67 a year earlier on revenues of $2.38bn compared with $1.97bn. For the nine months, net was $360.1m, or $5.99, against $199.2, or $3.30, on revenues of $6.48bn against $5.31bn.

AMR's sharply accelerating performance in recent quarters reflects the long-awaited payoff from a rapid expansion begun in the mid-1980s. It built up such new hubs as Nashville and Raleigh-Durham and took over Air-Cal, a regional airline to help increase volume.

The airline's yield per passenger mile increased by 5.9 per cent to 11.40 cents in the latest quarter while revenue passenger miles rose 9.9 per cent to 17.43bn. Its passenger load factor was 65.6 per cent, down 1.8 percentage points from a year earlier. But its breakeven load factor fell to 56.5 per cent from 60.4 per cent reflecting improved efficiency.

For the nine months, revenue passenger miles increased 11.7 per cent to 48.06bn, yield averaged 11.59 cents, up 9.8 per cent, the load factor slipped 1.4 points to 64.4 per cent while the breakeven load dropped three points to 56.4 per cent.

Downturn at Allied Signal

By Robert Vincent in New York

ALLIED SIGNAL, the US industrial conglomerate, yesterday unveiled net income of $119m for the third quarter and said that its cost-cutting programme was starting to show results.

The group, whose activities include aerospace components and automotive parts, has been taking steps to slim down and concentrate on its core activities. Operating income for the quarter was sharply down at $36m, against $178m last time, after $164m of restructuring costs in the current quarter.

Mr Edward Hennessy, chairman, said the group had sold a number of businesses which did not fit into its long-term strategy and had cut more than 1,400 jobs. He added that it expected to make further economies in the coming months.

Direct comparison between this quarter and the last year's is made difficult by the number of exceptional items and restructuring costs. This year's quarterly net income of $119m or 80 cents a share is set against $174m or $1.02 last year, but the figures include gains from asset sales and restructuring costs. Sales for the quarter were up 7 per cent to $2.9bn.

Nine-month net income, after restructuring costs and exceptional items, stood at $369m or $2.4 a share, compared with $520m or $3.01 last time. Revenues were up 9 per cent at $8.9bn.

The group said that engineered materials performed well and, after excluding restructuring costs, lifted net income by 21 per cent.

Phelps Dodge doubles income

By James Buchan in New York

PHELPS DODGE, the big Arizona copper producer which is profiting from high prices for the metal, yesterday reported $94.3m in third-quarter net income, a near doubling of its profits from the 1987 September quarter.

The result, which worked out at $2.53 a share on a fully diluted basis, almost exactly matches the strong performances of the first two quarters of this year. Sales in the September quarter were up 36 per cent at $511.4m.

The good result was largely due to strong demand for copper, with cathode prices averaging $1.02 on the New York Commodity Exchange in the third quarter, as against 78 cents in the 1987 third quarter. Phelps Dodge Mining Company enjoyed operating profits of $109.3m or twice the $54.2m of last year's corresponding period.

Nine-month income totalled $279.6m or $7.50 a share, against $64.3m before special gains. Sales were 48 per cent up at $1.83bn.

Uranium sanctions hit Gencor

By Jim Jones in Johannesburg

URANIUM HAS emerged as a problem for yet another of South Africa's mining houses reporting on the September results of managed gold mines.

Gencor, the country's second largest mining group, reports that sanctions have cut demand for uranium produced by Chemwes, a division of the Stilfontein gold mine. One major customer has asked for deliveries to stop, while another smaller customer has cut its purchases.

Earlier this week, the Randfontein gold mine said it had terminated uranium production because losses were imminent.

The 12 gold mines managed by Gencor increased their total gold production in the September quarter, largely because gold recovery grades increased to counteract the effect of higher costs and as a number of mines recovered from earlier production disruptions.

In the Orange Free State the Unisel mine has recovered from the effects of an underground fire earlier this year and has announced a R26m ($10.6m) shaft sinking programme to open up deep ore in the eastern part of the mine.

At Stilfontein, rehabilitation of the Margaret shaft, closed by a collapse some months ago, has been delayed by further ground movements. Apart from this, the mine has completed its retrenchment programme and reduced production to a level appropriate to the remaining ore reserves.

Bracken, which has a life expectancy of little more than two years, is now preparing for hefty expenditure on retrenchment payments and rehabilitation of old mining areas.

Elsewehere in the Gencor group the newly established Oryx mine produced its first ore and a small amount of gold in August, while the Kinross mine is to spend R35m on two declines to give access to ore in the eastern and northern sections of the mine property.

GENCOR GOLD QUARTERLIES

	Gold produced (kg) Sep 88	June 88	After-tax profit (Rm) Sep 88	June 88	Earnings per share (cents) Sep 88	June 88
Beatrix	3,180	3,150	19.61	14.69	n/a	n/a
Bracken	585	586	1.57	1.58	8.4	9.3
Buffelsfontein	3,916	3,791	21.87	20.81	127.5	160.0
Grootvlei	1,087	1,104	3.44	3.50	29.8	31.0
Kinross	2,934	2,944	21.48	14.60	89.1	51.4
Leslie	809	802	3.47	3.08	14.4	12.0
Marievale	208	204	0.72	0.56	n/a	n/a
St Helena	2,600	2,467	12.09	10.65	82.4	84.0
Stilfontein	1,169	601	4.95	10.71	39.5	77.8
Unisel	1,440	1,222	10.21	7.18	27.9	20.1
W.Rand Cons	960	892	1.09	(0.34)	16.9	(7.4)

Earnings per share calculated after tax and capital expenditure.

Record returns from Dow Chemical

By James Buchan in New York

DOW CHEMICAL, the largest producer of bulk chemicals in the US, maintained its strong momentum throughout the summer with record sales and earnings in the September quarter.

The giant Midland, Michigan group, which is enjoying near-perfect conditions in its basic ethylene, styrene, ethylene glycol and caustic soda businesses, reported net income in the third quarter of $632m or $3.36 a share, a near doubling of its net profit in the 1987 third quarter.

Sales revenues were up 24 per cent at $4.15bn.

The latest quarter result's was the sixth consecutive profit record with gains in all Dow's businesses. Mr Enrique Falla, Dow's financial vice-president, said: "The quality of our business reached an all-time high in this quarter. All business segments in all geographic areas had strong performances in what has typically been an off-season quarter."

Dow said its US sales were 26 per cent higher than in the 1987 third quarter, with a 14 per cent gain in Europe and a 31 per cent rise elswhere, with particular strength in Canada and the Pacific.

In basic chemicals, Dow's largest business, the mixture of low oil prices, high product prices and good volume produced sharp increases. Sales in basic plastics were up 50 per cent while consumer specialities, pharmaceuticals and industrial specialities were well ahead.

"The business fundamentals and momentum are strong, positioning the industry and Dow for a strong fourth-quarter performance," Mr Falla said.

At the nine-month stage, Dow has already outstripped profits for the whole of last year. In the first three 1988 quarters, Dow reported earnings of $1.76bn or $9.38 a share before special items on sales of $12.38bn. "Obviously 1988 is a record year for Dow," Mr Falla said.

Shearson reports big fall

By Anatole Kaletsky in New York

SHEARSON LEHMAN Hutton, the big Wall Street brokerage firm majority owned by American Express, reported a big drop in earnings during the third quarter, continuing a string of disappointing results from US brokers and investment banks.

Shearson made net profits of $8m or 2 cents a share compared with a restated $54m or 54 cents in the third quarter of 1987. Although the latest results suffered from a $25m pre-tax charge connected the acquisition of EF Hutton earlier this year, they also included certain tax benefits, Shearson said. On a pre-tax basis, Shearson lost $13m in the last quarter against a profit of $61m a year ago.

Total revenues in the latest quarter increased by 67 per cent to $2.62bn. But operating expenses, excluding special merger-related charges, grew 77 per cent to $2.64bn.

For the first nine months of 1988, pre-tax income was 41 per cent down at $186m, net profits were 25 per cent lower at $140m and income per share was 36 per cent down at $1.38.

Mr Peter Cohen, Shearson's chairman said the decline in third quarter results reflected "a significant decrease in investor participation in the financial markets along with non-recurring merger-related expenses."

In the first nine months of the year, investment banking revenues were up 54 per cent, while they showed a gain of only 28 per cent in the latest quarter.

Amax in $118m deal

By Kenneth Gooding, Mining Correspondent

AMAX, the US natural resources group, has paid $118m for SPG Exploration Corporation of San Antonio, Texas, which has estimated reserves of 130bn cu ft of natural gas and 6.2m barrels of crude oil, condensate and natural gas liquids, as well as interests in three gas processing plants.

Amax has been rebuilding its US petroleum business with a strong emphasis on natural gas. The company recently acquired the properties of Kaneb Energy Partners as well as B & N Petroleum. After the latest purchase Amax has interests in 1,500 wells and reserves equivalent to more than 400bn cu ft of natural gas.

COMPUTER GROUPS DISCUSS SINGLE 'OPEN' STANDARD

Move to resolve software conflict

By Louise Kehoe in San Francisco

SENIOR EXECUTIVES from some of the world's largest computer companies will meet tomorrow for a last ditch attempt to resolve a conflict over software that has engulfed the entire industry and threatens to prevent the development of a single "open" standard to enable all types of computers to "talk" to one another.

At issue is a decision on whether software developed by industry giants IBM, on the one hand, or AT&T on the other, should form the "core" of the open software standard for the next generation of computers. The chances of a reconciliation appear remote, despite expressions of optimism on both sides.

Supporters of AIX, who five months ago formed the Open Software Foundation, claim that the program offers superior features that are important to the next generation of computers.

"If AIX has features that users want, sooner or later the industry is going to have to deal with it," said an official of Hewlett-Packard, an OSF founding member.

AT&T and its backers, who this week rallied in support of System V Release 4 maintain, however, that adoption of AIX as the "core" program will create massive problems for the majority of current Unix users whose software is more closely related to the AT&T version than it is to AIX.

"We are signalling to customers that we are not going to bargain away their investments in Unix software," said Unisys, which this week declared its support for AT&T.

The solution may be a blend of both programs. Companies on both sides of the argument yesterday said that they would be willing to consider such a compromise.

"But only if we have a clear commitment to incorporate certain features," said Unisys.

Others are taking a firmer stand. Sun Microsystems, which jointly developed Unix System V release 4 under an agreement with AT&T, maintains that the result of blending the two programs would be "pulp".

"It doesn't make sense. System 5.4 is the blend, it is the program that draws together the major versions of UNIX," said Mr Bernard Lacroute, a Sun vice-president.

Behind the technical arguments is an attempt by major computer makers on both sides to control the development of open software standards, many observers believe.

"There are currently 25 or 30 different versions of UNIX," points out Mr Stephen Hill, director of product marketing at Informix , a software company that has a foot in both camps.

"If we end up with only two versions, that will represent a major improvement."

More difficult to resolve will be the "politics" of the UNIX battle. AT&T's supporters are deeply suspicious of the Open Software Foundation and of IBM's motives in supporting open systems.

They point out that IBM's strength lies in proprietary operating systems.

"We remain committed to providing an open software environment for our customers and will continue to play an active role as a sponsor of the Open Software Foundation," IBM says in response.

There are, however, equally serious concerns among OSF members about AT&T's efforts to develop a "unified" version of Unix in conjunction with Sun Microsystems. Sun, they fear, will gain an unfair advantage through its role as the program developer.

Sun, however, dismisses such arguments as "stupid". "This is a smokescreen." Eventually, Sun maintains, users will demand that the industry resolve its disputes.

"We are optimistic. It is going to be worked out. Users will force the issue," Mr Lacroute declares.

Publisher blocks state's media sell-off plans

By Canute James in Kingston

THE JAMAICAN Government's efforts to divest parts of the state-owned electronic media have been delayed by a writ filed in the Supreme Court by the island's largest publishing company, which has been denied a chance to buy into the radio and television services.

The divestment of the state-owned Jamaican Broadcasting Corporation, several regional radio stations and the Government's minority shareholding in Radio Jamaica is part of a government programme to sell off state property. JBC operates the island's only television service.

But the Government has been reluctant to allow existing media houses to be involved in the divested operations. The Gleaner Company, publishers of Jamaica's major daily newspaper, has successfully asked the court to stay the issue of all licences to operate the divested television and radio services.

The publisher has also called for the Prime Minister, Mr Edward Seaga, who is also the information minister, to consider the company's application to operate a national radio station and a commercial television channel.

Government officials say the writ has effectively halted the Government's timetable for divesting the electronic media. Mr Oliver Clarke, chairman and managing director of the Gleaner Company, had earlier accused the Government of "changing the rules" under which it is divesting the media.

The sale of state-owned media is the fourth part of the Government's divestment programme.

Half the island's largest commercial bank, the country's only cement company and a part of the state's shareholding in the local telecommunications company have already been divested. The Government is seeking buyers for 14 resort hotels.

Apple and Microsoft lift sales and profits

By Louise Kehoe in San Francisco

APPLE COMPUTER and Microsoft, two of the largest companies in the personal computer industry, both reported strong growth in sales and earnings yesterday, tempering concerns that the US personal computer market may be heading towards a major slowdown.

Apple reported net sales of $1.2bn for the fourth quarter, a 49 per cent increase over the $786.4m reported in the same period last year.

Net income for the quarter was up 51 per cent to $107.9m, or 84 cents per share, compared to $71.7m, or 54 cents per share in the final quarter of fiscal 1987.

For the full year, Apple's sales increased 53 per cent to $4.07bn from $2.66bn in fiscal 1987.

Net income for fiscal 1988 was $400.3m, an 84 per cent increase above the $217.5m recorded in fiscal 1987. Earnings per share were $3.08 per share, compared to earnings of $1.65 per share in the previous fiscal year.

"These results mark our 10th consecutive quarter of growth in sales and earnings," said Mr John Sculley, Apple chairman and chief executive. "During the past two years Apple's annual sales and earnings have more than doubled."

Microsoft, the leading supplier of personal computer software, reported record first-quarter results for the period ended September 30 with revenues amounting to $176.4m, a 72 per cent increase over the $102.6m for the same period last year.

Net income for the quarter was $36.6m or 65 cents per share, up 72 per cent from $21.3m or 38 cents per share a year ago.

"This 12th consecutive revenue record quarter was achieved with net profit margins of 20.7 per cent and strong revenue across all sectors of our business," said Mr Jon Shirley, president and chief operating officer.

INTERNATIONAL COMPANIES AND FINANCE

Panel moves on Smith New Court

By Nikki Tait in London

THE UK Takeover Panel, the City of London's watchdog on bid and deals, has stripped Smith New Court, the British stockbroking and market-making firm, of "exempt market-making status" for three months.

This means that if, during the period, the firm's broking arm gives corporate finance advice to a company involved in a bid, its market-making arm will not be able to deal in the same company's shares.

The Panel's decision has been made in the light of two breaches of Rule 38.1 of the Takeover Code by SNC earlier this month during the bid battle between Tarmac and Raine Industries for Ruberoid. Rule 38.1 states that an exempt market-maker connected with either bidder or target company must not carry out dealings with purpose of assisting that company.

Although breaches of another section of Rule 38 have come to light in the past 18 months – in the Peachey/EPIC bid and Hepworth Ceramic/Birmid Qualcast – the parties involved were only rapped by the Panel and required to take corrective action. This is the first time the Panel has taken the harsher sanction of suspending exempt status.

Smith is corporate broker to Ruberoid, a roofing materials group which is currently facing both a recommended bid from building company Tarmac, and a hostile approach from housebuilder Raine. The breaches concern the non-sale of shares in Ruberoid by SNC's market-making arm to Hoare Govett, acting for Raine, and the subsequent sale of the same shares to a broker acting for Tarmac.

The Panel has already required SNC to repair the damage by buying a similar block of shares in the market and selling them on to Raine at its cash alternative offer price. Since this was lower than the market price, SNC stands to make a loss – put at over £60,000 ($105m) – on the enforced deal.

According to the Panel's statement yesterday, the first breach occurred at the beginning of September. The SNC market maker held a long position in Ruberoid of about 1m shares (about 2 per cent of the equity), which he contemplated selling. Hoare Govett was identified as a probable purchaser but an unnamed senior SNC director reponsible for equity market-making advised against this because it could reflect on the firm's corporate broking role at Ruberoid.

A few days later, the broking team was informed of the market-maker's wish to cut his holding. The broker warned Ruberiod that a block of shares were being offered for sale and "it was eventually arranged that the shares were purchased by a broker who it later transpired was acting for Tarmac". Tarmac, which went on the announce a bid for Ruberoid, was apparently unaware of the source of the shares, and SNC of the identity of the purchaser.

The purpose of exempt status, which is granted by the Panel, is to allow the market-making element of an integrated securities house to continue operating independently of its corporate finance arm in bid situations.

Although the Panel says it received full co-operation from SNC, it concluded that the case "demonstrated inexperience and incompetence on the part of a number of people with SNC in an area which is of the utmost importance to the integrity of the market".

SNC said that the breaches resulted from "inadequate internal procedures", and adds that these have already been strengthened. The firm, formerly a jobbing business, has only built up a corporate advisory side in the past 18 months, where it now employs about 15 people and reckons to have about 26 clients.

"Although it is impossible to predict the number of takeover offers involving SNC's clients over the next three months, it is likely to be small," says the firm. It stressed that other than in possible bid situations involving these clients, its market-making, agency and corporate finance activities would be unaffected.

Lex, Page 20

Degussa buys three carbon black plants

By David Goodhart in Bonn

DEGUSSA, the West German precious metals and chemicals company, has acquired the three carbon black plants of Ashland Oil of the US for $58.5m making it the second largest producer of carbon black in the world.

Carbon black is used in the manufacture of car tyres and other rubber products and is also used as pigmentation in ink and paint.

The deal, which has to be approved by US anti-trust authorities, increases the number of Degussa's carbon plants from seven to 10 and raises world capacity from 520,000 tonnes per annum to 720,000 tonnes per annum, according to the company.

The three US plants – in Louisiana, Texas and Ohio – had turnover of $70m last year. They concentrate on carbon products for the rubber industry but Degussa proposes to extend production to include pigment for printing inks, plastics and paints.

Degussa established a major presence in the carbon black industry when it acquired five European plants from the Phillips Petroleum Company in 1986. It has long been the leading supplier of precipitated silicas and organosilanes to the rubber industry. The company recently built a new organosilanes plant in Mobile, Alabama.

Degussa last year reported after-tax profit up nearly 5 per cent to DM120m ($66m) on turnover of DM 11.7bn. At the interim stage, it said: "In view of the high volume demand for our products, it is estimated that results for the complete 1987-88 business year will surpass those of the previous year."

Groupe AG expects earnings to advance

GROUPE AG, Belgium's largest insurance company, expects net profit for 1988 to be higher than the BFr2.35bn ($62m) earned in 1987, AP-DJ reports from Brussels.

The company also forecast that it would increase its dividend to shareholders on 1988 earnings. In 1987, Groupe AG's net payout on ordinary shares amounted to BFr115 per share, up 9.5 per cent from the previous year.

The company did not give profit figures for the first half of 1988 but revealed that premium income totalled BFr17.7bn in the first half, up 3.2 per cent from the corresponding year-earlier period. Premium income was expected to rise about 5 per cent over the whole year compared with 1987, AG said.

Income from financial operations rose 5.9 per cent in the first half from a year earlier. AG did not give figures. It said that the rise was due mainly to "important growth" in revenue from investments in Belgian shares.

Net gains from sales of securities totaled BFr2.5bn in the first half, down slightly from BFr2.6 bn a year earlier.

INTERNATIONAL COMPANIES AND FINANCE

Bond Corp debts swell to A$7bn

By Chris Sherwell in Sydney

DEBTS OF Bond Corporation, Mr Alan Bond's flagship company, have swollen to more than A$7bn (US$5.7bn), and stand at more than A$8.5bn if debts are included of the recently acquired Bell Group, Mr Robert Holmes à Court's former flagship.

But Bond, which has interests in brewing, media and property and is now one of Australia's largest companies, said it had already taken steps to bring down the debt through sales of Bell Group assets, and expected a "significant reduction" by the end of December.

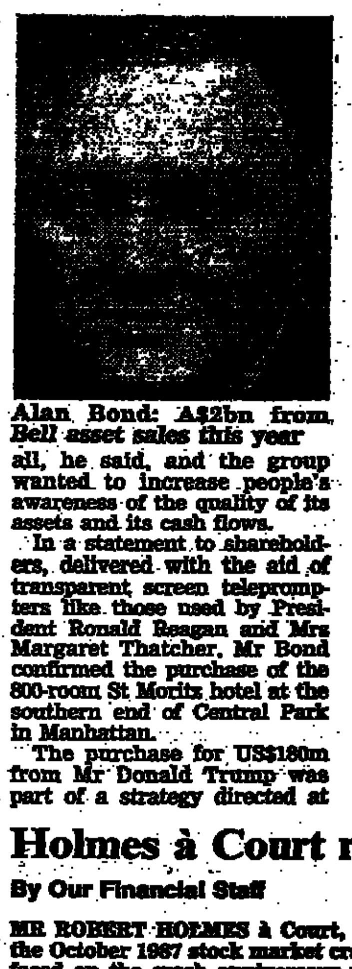
Revelation of the higher-than-expected figure came yesterday at the group's annual meeting, which was held in Perth and broadcast live by satellite to Sydney, Melbourne and Brisbane.

He was asked nothing, nor did he volunteer any information, about Bond's intentions in the UK where the Lonrho trading group on Tuesday identified interests associated with Bond as a 4.13 per cent shareholder.

Bond confirmed it was deferring the planned merger with Bell Group and its cash-rich offshoot, Bell Resources. The merger was originally part of a scheme announced when Bond Corporation made its A$850m bid for Bell Group in June.

Mr Bond said asset sales "in the normal course of rationalisation" would realise more than A$2bn this year, and insisted that the board of directors was "comfortable with the level of its debt, as it has affixed those to long-term cash-producing assets."

Bond Corporation's share price did not reflect its value at



Alan Bond: A$2bn from Bell asset sales this year

all, he said, and the group wanted to increase people's awareness of the quality of its assets and its cash flows.

In a statement to shareholders, delivered with the aid of transparent screen teleprompters like those used by President Ronald Reagan and Mrs Margaret Thatcher, Mr Bond confirmed the purchase of the 800-room St Moritz hotel at the southern end of Central Park in Manhattan.

The purchase for US$180m from Mr Donald Trump was part of a strategy directed at prime properties in prestige areas of the world's major cities, he said, and the group already had such properties in London and Rome.

In Sydney, the group was selling its Park Plaza development, where the local authorities rejected plans to build a 93-storey "Skytower," to concentrate on the Chifley Square project in the heart of the business district, where the proposed skyscraper will be called the Bond Building.

On the media front, Mr Bond said the Government's legislation preventing media cross-ownership meant the group, which now owns the West Australian, Perth's only morning daily newspaper, would sell some of its radio stations and its Perth television station, part of Bond's Channel Nine network.

In brewing, the group's most important revenue earner, he said Bond had recently discussed the establishment of a brewing operation in China, and he lauded the multi-brand strategy which distinguishes the group from arch-rival Elders IXL, saying the policy recognised local brand loyalties and people's individuality.

Regarding its oil and coal activities, Mr Bond said the group was reviewing these "to look for an opportunity that will enable us to become a major participant in both production and downstream operations."

He also defended the group's involvement in Chile, where it will have 46 per cent of the Chile Telephone Company by December, and its controversial involvement in the A$1bn petrochemical plant in Western Australia.

There was no mention of two legal actions involving the Bond group in Sydney. One, before the Broadcasting Tribunal, is an inquiry into its fitness to hold a broadcasting licence following an out-of-court defamation payment of A$400,000 to former Queensland premier, Sir Joh Bjelke-Petersen, in 1983.

The other, in the New South Wales Supreme Court, is to decide whether a A$100m success fee for the costly privatisation of the Fairfax media empire last year should be paid to Rothwells bank and, in turn, to Bond Media. Mr Warwick Fairfax, the proprietor, has lodged a counter-claim.

Holmes à Court resurfaces with anniversary bid

By Our Financial Staff

MR ROBERT HOLMES à Court, a big loser in the October 1987 stock market crash, has resurfaced on the crash anniversary with a bid for an Australian agricultural company that pits him against Mr John Elliott's Elders IXL.

Lawyers for Mr Holmes à Court said yesterday he will bid A$1.92 a share, or A$74m (US$58.8m), for Sherwin Pastoral, which has farming leases covering about 1 per cent of Australia's total land area. Sherwin is already subject to an 88 cent a share bid from Elders, the brewing and pastoral products concern.

Mr Holmes à Court's personal fortune collapsed to about A$500m from A$1.4bn when the October crash caught his Bell family of companies heavily indebted. He has since lost control of both Bell Group and Bell Resources to Mr Alan Bond's Bond Corp Holdings.

Sherwin Pastoral's directors have rejected the Elders bid as opportunistic.

Government sets NTT issue price at Y1.9m a share

By Michiyo Nakamoto in Tokyo

SHARES OF Nippon Telegraph & Telephone, the world's biggest company by market value, danced teasingly up and down on the Tokyo Stock Exchange yesterday as investors waited for the price to be struck for the latest tranche of equity being sold by the Japanese Government.

From late in the summer it became apparent that the size of the issue was depressing stock market sentiment. It has taken a considerable effort by the Japanese financial community to bring the sale, which will raise Y2,850bn ($22.4bn) for the Japanese treasury, to a successful conclusion.

The Ministry of Finance had stipulated that the price would be set at 3.5 per cent below yesterday's closing market level. The shares opened at Y1.99m and rose to Y2m at one point during the day but ended down Y10,000 from Tuesday's close at Y1.97m. Thus the price for the new shares will be Y1.9m.

The 1.5m shares on offer will be sold today and tomorrow by 260 securities houses, including 40 foreign firms, although in practice orders for all of them have already been received.

In mid-September the Government scaled down the issue, originally set at 1.95m shares. The market as a whole then recovered slightly, but the NTT price continued to sag, falling from Y2.2m to the Y2m range when brokers began canvassing for buyers early this month.

The response was slow at first but last week, when the share price dipped below Y2m, there was a rush of orders and the brokers were able to declare the issue a success.

The first sale of 1.95m NTT shares in January 1987 at Y1.6m per share was a huge success, attracting considerable investor interest among individuals new to the equity market. The shares rose above Y3m for a brief period and then faded. The second tranche was sold at Y2.55m per share last November.

INTL. APPOINTMENTS

MGM/UA appoints chief executive

MGM/UA COMMUNICATIONS, the US film and television group, has appointed Mr Jeffrey Barkakow as chairman, president and chief executive of the company.

Mr Barkakow has joined the company after 19 years with Merrill Lynch Capital Markets. He served for the last five years as managing director responsible for the Pacific Southwest region of the firm's investment banking division.

Mr Stephen Silbert, MGM/UA's former chairman, has resigned to take a position with Tracinda Corp, MGM/UA's principal shareholder.

* * *

VIRGIN ATLANTIC Airways, Mr Richard Branson's UK-based airline, has appointed Mr Akira Nakamura as vice-president and president of the company's Japanese subsidiary.

He was formerly managing director of a company in the Seibu Saison group.

The airline is to begin four scheduled flights per week between London and Narita in May.

* * *

THE INTERNATIONAL Hotel Association (IHA) has chosen Mr Samuel Federman, an Israeli hotelier, as its next president. The two-year appointment was made last week at the association's congress in New Delhi.

Mr Federman is expected to divide his time between his office at the Paris headquarters of the IHA and Tel Aviv where he is currently vice-chairman of the board of directors of Dan Hotels Corporation, Israel's leading chain.

* * *

MR JOHN H. SCHLESINGER, a managing director of Salomon Brothers, the US investment banking group, has assumed his post in Tokyo as head of investment banking in Japan.

Mr Schlesinger will be responsible for mergers and acquisitions activity in Asia.

The company also said that Mr Makoto Kuroda, a former Vice-Minister for International Affairs in Japan's Ministry of International Trade and Industry, has been appointed as an adviser to Salomon Brothers Asia.

* * *

VOLKSWAGEN of America, the US subsidiary of the West German motor group, has announced that Mr Noel Phillips, the company's president, will be transferred to run the Brazilian operations of the parent company.

Mr Phillips will be replaced by Mr Hans-Jörg Hungerland, who is export sales manager for Volkswagen AG in West Germany.

Mr Phillips had been president of Volkswagen of America, the car maker's US sales and marketing arm, since 1983.

* * *

NYNEX INTERNATIONAL, the US-based information and telecommunications products and services company, has appointed Mr Robert Heller to the newly-created position of vice-president and managing director – Europe/Asia.

Mr Heller will be responsible for the international sales and marketing activities of the company's London, Hong Kong and Geneva offices. He will be based in Geneva.

Prior to assuming his current position Mr Heller was vice-president – sales for Telco Research Corporation, another Nynex company.

* * *

BELL GROUP, formerly controlled by Mr Robert Holmes à Court, but now part of the Bond Corporation, has appointed Mr David Aspinall, currently an executive director of Bond Media, as its chief executive.

Mr Aspinall will continue to be responsible for the international media and communications interests of the Bond Corporation group of companies. However, he will resign from the board of Bond Media so as to avoid any possible contravention of Australia's broadcasting legislation as a result of his appointment to the Bell Group board.

* * *

MR MARSHALL COHEN has joined the board of American Barrick Resources, the US gold mining group based in Toronto.

Mr Cohen is president of Olympia & York Enterprises Corporation and is also on the boards of several Canadian corporations, which are part of that group. The American Barrick directorship is the first he has accepted outside the Olympia & York group.

* * *

PHILIP MORRIS, the US tobacco, food and drinks conglomerate has appointed Mr Nicolaas F.M. Kuijpers as head of its newly formed General Foods Europe subsidiary.

INTERNATIONAL CAPITAL MARKETS

Euroyen issue hogs the limelight

By Dominique Jackson

THE FIRST plain vanilla Euroyen issue for almost six months was the focus of attention in the primary Eurobond market yesterday.

The Canadian dollar sector continued to see a steady stream of new deals as the widening of spreads between Eurodollar bonds and US Treasury issues contrives to deter borrowers from tapping the sector.

The Y50bn five year deal for the World Bank via Yamaichi International emerged onto a market already frenzied with expectation. One syndicate manager commented that this could be the first example of rarity value being a major contributing factor to the success of an issue in the sector.

A similar suggestion would have drawn ridicule in 1986 and even last year when Euroyen was one of the top ranking new issue currencies after the US dollar in the international bond markets. However, paucity of supply in the sector so far this year — with issuance running at levels of around a third of last year's totals — has made conventionally priced and placed deals a rarity.

This factor, together with the popularity of the borrower and the relatively fair pricing of the deal, helped to send the new issue to levels as high as less 1 bid shortly after its formal launch.

It later settled down somewhat but was still well bid at a discount of 1⅜, a level which brought it down broadly in line with secondary market prices of existing issues by the same borrower and which was comfortably within its total 1⅞ fees.

While the re-opening of the sector was certainly welcomed, yesterday's issue was not really expected to signal the start of a scramble to issue in Euroyen. Unfavourable swap rates mean that it is still far more efficient to issue in dollars and swap the proceeds into yen and the number of natural yen borrowers is limited.

Added to this is a persistent general reluctance among investors to commit themselves heavily to the currency itself and many have reportedly been waiting for Japanese interest rates to rise.

Three new Canadian dollar deals emerged yesterday taking the total so far this week to over C$400m. A total of C$670m was issued last week. Although this represents a fairly heavy volume of new paper, investor appetite appears to be barely diminished. The sector has been buoyed by the strength of both the Canadian domestic market and the currency itself which is now approaching historically high levels against its US counterpart on the foreign exchanges.

Yesterday's deals included a five year C$100m for Ford Motor Credit Canada via Deutsche Bank Capital Markets

INTERNATIONAL BONDS

which was expected to appeal to the European retail investor base. It was bid just within its total fees by the end of the day.

UBS Securities led two deals both for C$100m. The Province of New Brunswick followed Saskatchewan and Quebec to the sector with a 10 year issue while a unit of Generale Bank made a five year issue. Paper at the longer end of the sector is still relatively scarce and the Canadian provinces are thought to be among the few borrowers able to tap the area successfully. The New Brunswick issue ended the day bid at a discount of 1.90 against total fees of 2 per cent.

The Genfinance issue is guaranteed by the parent bank which is also joint lead on the issue. The borrower has an extremely high profile among the smaller retail investors particularly in the Benelux countries which have continued to be avid buyers of the currency. The deal was quoted bid at a discount of 1.75 late yesterday, against fees of 1⅞.

The Euromark sector had an unusually busy day and a buoyant secondary market greatly facilitated the reception of two new deals.

IBJ Deutschland led a DM100m 10-year deal for its parent Industrial Bank of Japan which met an extremely favourable reception, due partly to its terms which were considered generous with a boost from an upturn in sentiment in secondary market prices which rose by an average of around ¼ point in brisk good two way trade yesterday. The IBJ deal was trading comfortably within its total fees by the end of the day.

A DM200m five year floating rate note for the Bank of China via Commerzbank also had a good reception although it is not expected that the issue will trade very widely.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
SMK Corp.♦	60	(5⅞)	100	1992	1½ ⅜	Wako Int.Europe Ltd
Japan Storage Battery♦	50	(5⅝)	100	1993	1½ ⅜	Nikko Secs.(Eur.)
CANADIAN DOLLARS						
Ford Motor Credit Canada♦	100	10¼	101.60	1993	1⅞ ⅝	Deutsche Bk Cap Mkts
New Brunswick♦	100	10½	101⅞	1998	n/a	UBS
Genfinance♦	100	10⅛	101⅞	1993	1⅞ ⅝	UBS
DEUTSCHE MARK						
Ind. Bank of Japan♦	100	6¼	101⅛	1998	1¾ 1	IBJ Germany
Bank of China‡♦	200	(a)	100	1993	15-15	Commerzbank A.G.
YEN						
Bergen Bank(b)♦	12½bn	7½	101⅞	1992	1⅞ ⅜	Nippon Credit Int.
World Bank♦	50bn	4⅞	101⅛	1993	1⅞ ½	Yamaichi Int.
SWISS FRANCS						
Issue update;						
MODO(c)♦	200	5	101¼	1999	n/a	Credit Suisse
STERLING						
Portugal♦	100	9	(d)	2016	n/a	S.G.Warburg Secs

*Private placement. ♦With equity warrants. ♦Final terms. §Convertible. ‡Floating rate note. ♥Currency warrants. (a)Coupon set at ⅛ over 3 month LIBOR. (b)Redemption linked to Nikkei stock average. Put and call options at the redemption amount on Oct 31st 1991. (c)Issue raised to 200m from an initial 100m. (d)Bulldog issue fungible with outstanding £50m issue. Priced at 89.783 including accrued interest.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 19

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
[illegible]						
Dai-Ichi Kan 9⅝ 92	150	101⅛	101½	0	+0⅛	9.22
Denmark 7⅛ 92	500	94¾	94¾	0	+0⅞	9.06
E.E.C. 7 91	100	94⅞	95⅜	0	+0⅛	8.89
E.E.C. 7⅛ 93	250	93⅞	94⅛	+0⅛	+0⅜	8.95
E.E.C. 8 90	350	98⅝	99⅛	−0⅛	−0⅛	8.68
E.I.B. 7⅝ 93	100	94⅜	94⅞	+0⅛	+0⅝	8.96
E.I.B. 9⅛ 97	150	100	100½	−0⅝	−0⅛	9.32
Elec.De France 9 98	200	97⅞	98⅜	+0⅛	+0⅜	9.29
Finland 7⅞ 97	200	91⅛	91⅞	+0⅞	+0⅝	9.36
Finland 7½ 93	200	94	94½	0	+0⅛	9.03
Finn.Exp.Cd. 8½ 92	200	98⅛	98⅝	0	+0⅛	9.04
Ford Motor Credit 8 91	250	97⅞	98⅛	0	+0⅜	8.97
Gen Elec Credit 10¼ 00	200	†100¼	100⅞	0	+0⅛	10.16
G.M.A.C. 8 89	250	99⅛	99½	0	+0⅜	0.09
Gen.Mtrs.Corp. 9⅛ 92	200	100⅛	100½	+0⅛	+0⅜	9.02
Halifax BS 9½ 93	200	†100⅜	100⅞	0	−0⅜	9.30
Hoesch 8¾ 97	100	†93½	93⅝	+0⅛	−0⅛	9.41
Italy 9 90	1000	100½	101⅛	0	+0¼	8.56
L.T.C.B of Japan 8 91	100	97⅜	97⅞	+0⅛	0	8.97
L.T.C.B. of Japan 8 97	200	91	91½	+0⅞	+0⅞	9.57
Merceds-Benz Cd. 8½ 95	100	†96⅞	97⅛	+0⅛	−0⅛	9.15
Metropolis Tokyo 9½ 93	200	101⅞	102⅛	+0⅛	+0⅛	8.89
Morgan Guaranty Tst. 7 90	150	97⅜	97⅞	+0⅛	+0⅛	8.83
Norway 8⅞ 93	500	99¾	99⅞	+0⅛	+0⅛	8.87
Pepsico Inc 7⅞ 93	200	†94½	95	+0⅛	+0⅞	8.80
Portugal 8⅞ 97	300	97½	98	+0⅛	0	9.29
Prudential Crp. 8¾ 94	125	99⅞	100⅛	+0⅜	+0⅞	8.76
Qantas Airways 10⅜ 95	140	105⅛	105½	+0⅛	+0⅞	9.27
Saskatchewan 10¼ 92	100	104⅜	105	0	+0⅛	9.06
State Bk S Aust 9¼ 93	100	100⅛	100⅝	0	+0⅜	9.11
Swed Exp Cred 7⅛ 91	100	†95	95½	0	+0⅛	9.03
Swed Exp Cred 10 92	100	†102⅛	102⅝	+0⅛	+0⅛	9.16
Sweden 7 91	250	95⅛	95⅞	+0⅛	+0⅜	8.78
Sweden 7 92	250	†94½	95	+0⅛	+0⅛	8.87
Sweden 8¾ 96	200	97½	98	+0⅛	+0⅜	9.16
Sweden 8½ 92	200	†99⅛	99⅝	+0⅛	+0⅛	8.68
Victorian Rep 11⅝ 92	150	107	107½	+0⅛	+0⅛	9.09
World Bank 7 92	300	†94⅝	95⅛	+0⅛	+0⅛	8.85
World Bank 9 97	300	98⅞	99⅜	+0⅛	−0⅛	9.16
Yasuda Trust Fin 8½ 93	100	97⅛	97⅝	+0⅛	+0⅛	9.19
Average price change... On day +0⅛ on week +0⅛						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	101⅝	102	+0⅛	+0⅜	5.68
Avis Fin.SVS 5⅜ 92	100	100⅛	100⅜	−0⅛	−0⅛	5.69
Bank of Tokyo 5⅞ 93	100	100⅝	101⅛	+0⅛	−0⅛	5.51
Central BK. Turkey 7 92	200	103⅞	104⅜	+0⅞	+0⅜	5.80
Commerzbank o/s. 5⅜ 93	300	99¼	99¾	+0⅛	+0⅛	5.50
Degussa Int. 6⅛ 97	200	99⅛	99⅝	0	+0⅛	6.20
E.I.B 5½ 98	150	96⅛	96⅝	−0⅛	0	5.99
E.I.B 6 97	300	99⅞	100½	0	+0⅜	5.96
E.I.B. 6⅛ 96	300	101½	102⅛	+0⅛	+0½	5.81
E.I.B. 6⅛ 97	400	100⅞	101⅜	0	+0⅛	5.93
E.I.B. 6⅞ 95	300	105⅞	106½	0	+0⅜	5.77
Euro.Coal& Steel 5⅞ 97	175	99⅛	99⅞	0	0	5.95
Eurofima 6¼ 96	100	102	102⅝	−0⅛	−0⅜	5.85
Elec De France 5⅞ 97	300	98	98⅝	−0⅛	−0⅛	5.99
Forsmark Krtg. 5⅞ 93	200	97⅞	98⅜	0	0	5.61
I.A.D.B. 6 97	200	100	100⅝	+0⅛	+0⅜	5.94
Japan Dev. Bk. 5⅜ 95	300	97⅞	98⅜	+0½	+0½	5.70
Japan Finance 5⅞ 97	100	97⅜	98	+0⅛	+0⅛	6.10
Ireland 6½ 97	300	101⅝	102⅛	+0⅛	+0⅞	6.20
Korea Dev BK 6⅛ 93	100	102⅛	103⅛	0	−0⅛	5.92
Malaysia 6¼ 94	150	99⅝	100⅜	−0⅛	−0½	6.24
Nat. West BK. PLC 6 98	300	97⅞	98⅜	−0⅛	+0⅛	6.24
Nippon Telg.&Tel. 6 95	400	101¼	102	−0⅛	+0⅜	5.99
Oesters. Kontbk. 5 93	300	99⅜	100⅛	+0⅜	+1⅛	5.06
Portugal 5⅞ 92	150	100⅛	100⅞	0	−0⅛	5.59
Portugal 6⅞ 95	150	102⅞	103⅛	+0⅛	+0⅛	6.09
Privatbanken 5⅛ 93	150	97⅛	98⅛	0	+0⅜	5.84
Royal Insurance 5½ 92	300	100⅛	100⅜	+0⅛	+0⅛	5.33
Soc Cent Nuclear 7¼ 95	150	103½	104⅛	+0⅛	+0⅛	6.53
Turkey 6½ 95	500	98	98½	0	0	6.83
Westlb. Finance 5 93	200	†98½	99	+0½	+0½	5.32
World BK. 6⅛ 97	600	101⅞	102⅛	+0⅛	+0⅛	5.82
Average price change... On day +0⅛ on week +0⅛						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev.Bk. 5 96	150	†101½	102	+0⅛	+0⅛	4.72
Asfinag 5 03	100	†101½	101⅞	+0⅝	+0⅝	4.84
B.F.C.E. 4½ 98	200	†98⅜	99½	+0⅛	+0⅛	4.61
B.M.W.Fin.Neth. 5 13	150	†96⅛	96⅜	+0⅛	+0⅞	5.26
Britannia B/S. 4¼ 94	100	†97⅛	98	0	+0⅛	4.68
CIR. Int. W/W 3 93	125	†100	100⅛	+0⅛	+0⅛	2.97
Credit Lyonnais 4¾ 00	100	†97⅜	98	+0⅛	+0⅛	4.99
E.I.B 4⅝ 98	150	†99½	100	0	0	4.65
Fletcher Chall. 4⅞ 98	150	†97	97½	0	+0⅜	5.25
Kobe City 4⅞ 98	150	†99	99¼	0	0	4.74
Leeds Perm. B/S. 4⅛ 93	200	†98	98⅛	0	−0⅞	4.59
Malaysia 5¼ 98	100	†98½	99	0	−0⅞	5.41
Maxwell Comm.Crp. 5 95	150	†101¼	101½	−0⅛	−0⅜	4.75
Nationwide Ang.B/S. 4 93	200	†97⅛	98	0	+0⅛	4.51
Nippon Telg.&Tel.4¼ 95	200	†98⅜	99¼	−0⅛	+0⅛	4.42
Oesters.Ktbk. 5 03	75	†99½	100½	+0⅛	+0⅛	5.00
Rep.National Bk. 4 93	150	†96⅜	97⅛	−0⅛	0	4.34
Thailand 4⅞ 95	200	†95⅜	96⅛	0	0	5.34
World Bank 5 03	150	†100¼	100½	0	0	4.96
Average price change... On day +0⅛ on week +0⅛						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
[illegible]						
Aust.Ind.Dev. 12⅞ 93AS	100	98⅝	99	+0⅛	−0⅛	13.20
Barc. Bk. 10⅛ 97 £	250	97⅞	98⅜	+0⅛	+0⅞	10.57
BP Capital 9⅞ 93 £	100	97⅛	97⅞	+0⅛	+0⅛	10.44
British Airways 10 98 £	100	96⅛	96⅜	+0⅛	+1⅛	10.59
Salomon-Tel. 6⅞ 93 FL	100	100⅛	100⅝	0	0	6.27
C.I.B.C.Mort.10⅛ 93 C$	100	†100⅛	101⅛	−0⅜	+1	10.49
Comm.Bk.Aust. 12⅝ 93AS	100	96½	97⅛	+0⅛	+0⅛	13.47
Coop.Ctr.Rabo.6⅞ 93 FL	100	101⅜	101⅞	0	+0⅜	5.80
Coop.Ctr.Rabo.6 92 FL	200	101¼	101¾	0	+0⅛	5.53
Denmark 7⅛ 92 ECU	100	102⅜	102⅞	+0⅛	+0⅛	6.85
Dixons 11 95 £	90	†99⅛	100⅛	−0⅛	+0⅜	11.30
Deut.Bk.Aust.12⅞ 95 AS	70	100⅛	100⅝	+0⅛	+0⅛	12.62
Eastman Kodak 13 90 A$	100	97⅞	98⅛	0	−0⅛	14.15
E.I.B. 7 96 LFr	100	*98⅛	98⅛	0	0	7.31
Elec.France 10⅛ 95 C$	125	†100½	101	0	+1⅛	10.06
Euratom 7⅞ 97 ECU	145	97⅜	97⅞	0	−0⅛	7.75
Fed.Bus.Dv.Bk.9⅞ 92 C$	75	†99⅞	100⅛	0	+1⅛	9.71
Ford-Cr.Can.10⅛ 93 C$	100	†101⅞	102⅜	0	+0⅜	10.08
Gillette Can. 9⅞ 93 £	70	94⅜	95	+1⅛	+1⅛	11.12
G.M.A.C. 9⅞ 93 C$	150	†98⅛	98⅞	0	+0⅜	10.11
G.M.A.C. 9⅛ 92 C$	75	†94⅛	95⅛	0	0	11.06
G.M.A.C Aus.Fin.14 90 A$	50	100	100½	+0⅛	−0⅜	13.71
Halifax BS 10⅜ 97 £	100	97⅜	98⅛	0	+0⅜	10.79
Imp Chem Inds 10 03 £	100	97	97⅞	−0⅛	+0⅜	10.37
Inv.Industry Int 10 93 £	60	97⅝	98⅛	+0⅛	+0⅛	10.58
Lloyds Bank 10⅛ 98 £	150	96⅞	96⅞	0	+1⅛	10.84
Montreal Tst 10⅞ 93 C$	100	†100⅛	101⅛	0	+0⅜	10.44
Nat. West.Bk. 13⅞ 92 A$	50	†98⅛	99⅛	+0⅞	+0⅜	13.44
Nationwide BS 10⅛ 93 £	75	97⅝	98⅛	+0⅛	−0⅛	10.71
Ned.Midd.Bank 6 92 FL	150	99⅞	100⅜	0	0	5.98
New Zealand 9½ 93 £	100	96⅛	96⅝	+0⅛	+0⅛	10.51
New Zealand 7⅞ 93 ECU	200	100⅛	101⅛	−0⅛	−0⅛	7.56
Oesters.Ktbk 13⅝ 94 AS	75	101⅝	102⅛	+0⅛	+0⅜	13.12
Phillips Gleoil. 6 93 FL	300	99⅞	100⅜	+0⅛	+0⅛	5.96
Prudential Fin.9⅞ 07 £	150	†91½	92	+0⅛	+1	10.38
Royal Bk.Scot 10⅜ 98 £	125	98	98⅛	−0⅛	+0⅛	10.98
Saskatchewan 9⅞ 91 C$	150	†99⅞	100⅛	0	+0⅜	9.84
S.D.R. 7⅞ 95 ECU	90	†99⅝	99⅞	0	−0⅛	7.81
World Bank 5⅞ 92 FL	200	99⅝	100	−0⅛	−0⅛	5.86
World Bank 13⅛ 92 A$	100	†100⅞	100⅞	+0⅛	−0⅜	13.10
Zentrspk. 13⅛ 93 A$	75	98⅛	99	+0⅛	0	13.60

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.62	99.67	21/01	10.99
Belgium 91 US	0	100.48	100.58	21/02	9
Britannia 5 93 £	0⅛	99.85	99.90	10/01	12.12
Chase Manhattan Crp.91 US	0⅛	99.62	99.80	22/02	8.94
Citicorp 98 US	10⅛	97.75	98.00	30/11	8.94
EEC 3 92 DM	†0	101.15	101.25	22/02	5.63
Halifax BS 94 £	.1	99.84	99.89	9/11	11.16
Invt. In Industry 94 £	0	100.03	100.14	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	99.99	100.04	13/01	10.44
Midland Bank 01 £	.1	95.75	96.75	11/02	11.41
Milk Mkt.Brd. 5 93 £	0⅛	99.85	99.90	30/12	12.06
New Zealand 5 97 £	.07	99.74	99.84	18/11	11.62
New Zealand 5 01 US	0	99.94	100.04	4/02	8.62
State Bk. New. 98 US	.188	100.41	100.51	13/02	8.87
Woolwich Eqult.BS. 93 £	0⅛	99.82	99.87	13/01	12.12
Woolwich 5 95 £	0⅛	99.71	99.76	21/11	11.62
Average price change... On day +0.02 on week +0.02					

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6⅛ 02 US	8/87	62.	105	106	+0⅛	18.65
Alco Health 6⅛ 01 US	†7/86	26.25	93	95	0	5.00
Amer. Brands 7⅞ 02 US	9/87	56.7	104⅞	105⅞	+0⅛	8.87
Ashikaga Bank 2⅛ 02 US	4/87	967.	131⅛	132⅞	0	1.43
Asics 5 92 DM	12/83	472.7	189½	190⅞	−0⅛	12.28
CBS. Inc. 5 02 US	4/87	200.	96½	97½	0	8.80
Fujitsu 3 99 US	5/84	1106.	248⅞	249⅞	+6⅛	0.98
Kinki-Sogo Bk.2⅞ 03 US	*4/88	1069.	130	131	0	4.12
Land Secs. 6⅛ 02 £	6/87	6.72	95½	96½	+0⅛	11.04
MCA INC 5½ 02 US	9/87	69.62	82⅛	83⅛	+0⅛	22.43
Minolta Camera 2⅛ 94DM	2/86	1004.	97⅛	98⅛	−0⅛	32.85
Mitsubishi Bk.1⅛ 02 US	9/87	3157.	118⅝	120⅛	0	4.06
Mitsui trust 2⅞ 01 US	10/86	1903.	139	140⅛	−0⅛	6.73
Next PLC 5⅞ 03 £	11/87	4.3	100⅝	101⅝	+0⅛	137.62
Nishi Nipp.Bk.2⅞ 03 US	4/88	804.	108½	109⅞	+0⅛	9.67
Omron Tateisi 2⅞ 02 US	4/87	1310.	186⅛	187⅞	+5⅛	−0.19
Pylmerica 5½ 02 US	4/87	66.75	66⅛	67⅛	0	57.72
Ranks Hovis 4⅞ 03 £	1/88	3.5	113⅞	114⅞	0	4.52
Redland 7⅛ 02 £	1/87	5.4	91⅛	92⅛	+0⅛	13.38
Saatchi&Stchi.6⅛ 03 £	10/89	4.41	99½	100½	0	20.82
Texas Inst. 2⅞ 02 US	9/87	82.87	74½	75⅛	+0⅛	50.21
W.R. Grace 6⅛ 02 US	9/87	42.12	79⅛	80⅛	+0⅛	31.08

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Portugal to issue £100m bulldog

By Dominique Jackson

A £100M 9 per cent issue by Portugal yesterday reopened the market for bulldog bonds — UK domestic issues by foreign borrowers — which has lain dormant since June 1986.

While the issue is not expected to prompt a rush to tap the sector by similar non-UK names, the injection of fresh supply should provide a welcome boost to secondary market liquidity.

SG Warburg Securities is the lead manager on the Portugal deal which matures in 2016 and will be fungible with an existing £50m issue of the same maturity which was launched in May 1986. This will make it the largest available issue from a sovereign borrower in the bulldog sector. The new issue will be underwritten by Warburg, BZW, Baring Brothers and Samuel Montagu.

The issue was priced to yield 1.65 percentage points over the gross redemption yield in the 9 per cent Treasury stock of 2008. As in the case of gilt-edged stock issues and the original Portugal bulldog issues, settlement for the new stock will be on a 24 hour basis rather than 7 days for conventional corporate loan stocks.

The re-opening of the bulldog market clearly caught the imagination of many members of the UK investment community who welcomed this amplification of their choice of sovereign credit issues. Perceptions about the Portuguese economy, with inflation and unemployment now on a clear downward trend, have greatly improved of late while the republic's entry into the European Community has also heightened its profile. The issue was deemed very fairly priced and was firmly placed in institutional hands not long after launch.

The last bulldog bond was issued by the European Investment Bank more than two years ago. In the intervening period, non-UK borrowers showed little interest in tapping the fixed rate domestic sterling markets which appeared relatively expensive to many of their alternatives. However, the bulldog sector remains one of the only markets, together with the US equivalent Yankee market, where it is possible to launch such long-dated issues. The World Bank is one borrower which has often taken advantage of this feature, in the bulldog and Eurosterling sectors.

The ultra-long area of the sterling denominated bond market has performed well of late and many analysts believe that the sector could be due for something of a revival given the expected tightness of supply in the UK government bond markets. The paucity of paper in the ultra-long end of the gilt market has prompted healthy demand for long dated corporate issues.

Evidence of this can be seen in the success this week of a 10¼ per cent issue due 2032 of approximately 250m from MEPC, the property group, via BZW which became the longest unsecured corporate loan stock available in the UK domestic fixed interest market. A recent £200m issue due 2030 for Land Securities also went well. The current slope of the sterling bond yield curve also means that costs for top rated borrowers decrease in proportion to the length of the issue.

Few significant distinctions still separate the bulldog and Eurosterling sectors — for example although bulldog issues are usually in registered form, many carry a bearer option more akin to Eurosissues.

INTERNATIONAL CAPITAL MARKETS

Tokyo rallies as interest rates nudged lower

By Stephen Fidler in London and Robert Vincent in New York

THE JAPANESE government bond market enjoyed a broad-based rally yesterday as the Bank of Japan nudged short-term interest rates lower in the face of dollar weakness.

The Bank of Japan conducted a purchase operation of three-month certificates of deposit at 4.60 per cent as issues were trading in the market at 4.66 per cent. The rate is particularly important for the benchmark bond because many holders fund themselves through the issue of three-month CDs, the rate on which this often acts as a floor for bond yields.

The yield on the benchmark No 105 bond – with a 5 per cent coupon and maturing in December 1997 – finished in London around 4.69 per cent, down 7 basis points on the day.

Other issues also rallied more than usual partly because of renewed speculation that there could be a change quite soon in the benchmark bond. A prime candidate for its replacement – the No 111 issue which carries a 4.8 per cent coupon and matures in June 1998 – showed a 13 basis point drop in yield, finishing at 5.30 per cent.

US Treasury bond prices slipped yesterday by as much as ¾ of a point as oil rebounded ahead of today's Opec meeting, aimed at reaching an agreement on production restraint.

GOVERNMENT BONDS

After falling sharply on Tuesday, oil prices rose by 50 cents in New York, taking the December futures contract to $14.54 a barrel. Traders said market fundamentals had not changed but the price rise represented short covering and a technical rebound.

The Treasury's benchmark 30-year issue started the day slightly higher but quickly succumbed to the rising oil prices. It finished the day at at 102[illegible], yielding 8.89 per cent.

The market was not given any guidance either by the latest figures on housing starts in the US. They rose 1.5 per cent in September to an annual rate of 1.45m.

Prices of UK government bonds closed mixed after an active session in both cash and futures markets. More than 29,000 contracts traded in the long gilt on the London International Financial Futures Exchange.

Institutional switching out of 20-year maturities into maturities of roughly seven years made for a better performance in the short end of the market than the long end, which finished up to ⅛ point down.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	111-14	+7/32	9.90	10.04	10.59
	8.750	9/97	92-04	+0/32	9.88	9.92	10.15
	9.000	10/08	100-14	-4/32	8.95	9.04	9.48
US TREASURY*	9.250	8/98	103-07	+2/32	8.75	8.82	8.95
	9.125	5/18	102-29	+6/32	8.85	8.92	9.04
JAPAN No 105	5.000	12/97	101.9800	+0.486	4.69	4.78	5.11
No 2	5.700	3/07	106.6108	+0.407	5.01	4.98	5.34
GERMANY	6.500	5/98	100.9750	+0.350	6.38	6.49	6.59
FRANCE BTAN	9.000	7/93	101.6511	+0.052	8.53	8.48	8.83
OAT	8.500	6/97	98.9250	+0.325	8.68	8.61	8.79
CANADA*	9.500	10/98	98.6250	-0.125	9.72	9.86	10.02
NETHERLANDS	6.500	7/98	101.9250	+0.050	6.26	6.29	6.55
AUSTRALIA	12.500	1/98	103.9948	+0.794	11.77	11.88	11.85

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Swiss bankers warn on duties

By William Dullforce in Geneva

THE BIG Swiss banks will be forced to move their operations abroad if stamp duties on securities transactions are not removed and if capital adequacy requirements are not brought into line with those to be applied by the European Community, Credit Suisse's top executives warned yesterday.

A rapid revision of legislation was required, said Mr Robert Jeker, president of the executive board.

Mr Hans-Jörg Rudloff, an executive board member, warned that a bank operating on a global capital market had to seek "the cheapest place of execution."

Switzerland imposes a wider range of stamp duties than any EC country. Luxembourg has none, Belgium has abolished its securities sales tax for foreigners; and West Germany is thinking of doing away with its own version, Credit Suisse said.

Some of the capital requirements applied to Swiss banks were prohibitive by international comparison.

Assuming that the rules for the coming EC single market would be based on the proposals made by the Cooke committee in the Bank for International Settlements, Swiss banks would be burdened by higher capital requirements for all foreign lendings.

The present capital ratios applied to forward foreign exchange transactions and to holdings with other banks were particularly harsh for Swiss banks, Mr Jeker said.

The proportion of subordinated loans that could be calculated in capital ratios was also totally inadequate compared with those proposed by the Cooke committee.

Mr Jeker thought the Swiss federal authorities would adjust the capital requirements for Swiss banks but so far Mr Otto Stich, the Finance Minister, has refused to repeal stamp duties until he is offered an alternative source of tax revenue.

Mr Rudloff said Swiss franc bonds still make the second largest contribution after dollar bonds.

History lesson for lenders and defaulters

Stephen Fidler draws parallels between a debt crisis in the 1930s and one of today

"The Brazilians knew they had no credit and they thought therefore that they might as well cease payments on their external debt. There were many people who wished to devote sums now used to pay interest to the internal needs of the country and they were exerting strong pressure on the President and the Finance Minister to cease payments."

TO those who have followed the debt crisis since it broke in 1982, this statement from a senior British banker in Brazil has a familiar ring. Yet it was made not in 1986, ahead of the Brazilian moratorium on foreign debt of February 1987, but in October 1936.

The Latin American debt crisis of the 1980s has many parallels with that of half a century earlier. But there were also significant differences, the most important being the contrast in lenders to the potentially defaulting debtors.

In the 1980s, the lenders which stood to lose most were commercial banks; 50 years earlier, it had been investors in bonds which had faced default.

It is now widely argued that medium-term bank loans at floating interest rates is a singularly inappropriate method of financing development, and that fixed-rate bond finance, project and trade credits and equity investment are more apt.

Furthermore, it is also often suggested that the crisis in the 1980s has been protracted by the intervention of western governments, worried about the potential for debtors to destabilise the international banking system – a problem for which there was no parallel in the 1930s.

This argument suggests that because western governments did not intervene, debtors were able to default in the 1930s, allowing a sharp restructuring which cleared up much of their debt burden. In the 1980s, by contrast, western governments managed the crisis in order to maintain debt servicing and shore up the banking system, a move which prevented debtor countries from putting the crisis behind them.

A new study, Settling Defaults in the Era of Bond Finance published by the Centre for Economic Policy Research*, however, concludes that this view should be strongly qualified. Debt adjustments arising from default in the 1930s, in fact, took up to 25 years to conclude.

The authors, Barry Eichengreen, of the University of California, Berkeley, and Richard Portes of the CEPR, conclude that defaults in the 1930s were not always the short, sharp shocks they were subsequently made out to be. "Default in the 1930s was often partial and intermittent. Settlement was not achieved in a way that readily permitted countries to put the debt crisis behind them. Nor were creditor-country governments as disengaged as sometimes alleged."

In the era of bond finance, foreign investment, trade and diplomatic relations were all complicated by default, and governments often put pressure on debtors to meet their bond obligations.

When Peru missed an interest payment on its sterling debt in 1940, the British Treasury wrote to the Peruvian Minister of Finance saying that if the payment were not met the UK Government "would be obliged to reconsider their purchasing policy towards Peru."

The authors conclude that the contrast between the two periods was not in the extent of creditor-country government involvement but in the way that intervention all worked in a single direction. In the 1930s, the interests of private creditors and their governments diverged more. With the approach of Second World War, creditor governments were more inclined to press for concessions from investors, lest debtor countries were pushed into the enemy camp.

Discrimination between different classes of creditors, notably between secured and unsecured debt, had an ambiguous impact on the ease of settlement. It permitted servicing to be restarted on some obligations, but brought objections from some bondholders. Debtors often bought back defaulted bonds too, but often at the expense of ill will on the part of small bond holders.

However, other factors helped to ease settlement. In the 1930s, the provision of trade credits and of long-term (ie. bond) finance were in the hands of different sets of creditors with divergent interests. In the 1980s, where banks perform both functions, the withdrawal of trade lines has been a strong disincentive to default.

There was also a greater separation between the government departments dealing with trade and those dealing with debt.

"Finally, squabbling between different sets of national creditors and competition among their governments weakened the negotiating position of the creditors in the 1930s and 1940s, unlike the 1980s when the US has been permitted to take a lead in Latin America as has Western Europe vis-à-vis the Eastern bloc."

There are further lessons for the 1980s. The study concludes: "If we had to single out one factor that facilitated the movement toward settlements in the 1940s and 1950s, it would not be the structure of the bargaining process or the form of government intervention but rather improvements in the international economic environment".

The strength of export markets after the outbreak of war in 1945 and the subsequent and continued strength in commodity prices reduced the costs of settling defaults. When it appeared that the US stood ready to lend to these countries, the benefits of settling increased.

The key then to the resolution of the current debt crisis "lies in the adoption of macroeconomic policies conducive to the maintenance of steady growth, open markets and financial stability," the study concludes.

"Settling Defaults in the Era of Foreign Bond Finance, by Barry Eichengreen and Richard Portes. Published by Centre for Economic Policy Research, 6 Duke of York Street, London SW1. Price £2.00 ($4.00).

US exchanges introduce circuit breakers

By Deborah Hargreaves in Chicago

ONE YEAR after the stock market crash, US exchanges will today introduce co-ordinated circuit breakers to halt stock-related trading in any future downfall, following approval by Federal regulators.

The plans by the New York and American stock exchanges and Chicago's futures exchanges link trading halts of equities with those of Chicago's derivative stock index futures to act as shock absorbers in any market debacle.

The circuit breakers, which were developed in response to last October's crash, put a series of trading halts in place when the Dow Jones Industrial Average and related stock index futures fall by a specified number of points.

The first break would be activated to stop trading in both stock and index futures markets for an hour if the Dow declines by 250 points or the Standard & Poor's 500 stock index futures is down by an equivalent 30 points.

A second halt for two hours will occur in both markets if the Dow drops 400 points below the previous day's close. At the same time, trading in stock index options will also stop once the circuit breakers have been triggered in the futures market.

The exchanges have further set a procedure for re-opening the markets, whereby stock index futures will not restart trading until 50 per cent of the value of the stocks in the underlying index have started trading in the stock market.

These co-ordinated circuit breakers provide a much-needed link between New York and Chicago where exchanges operate in a very closely-related market.

The plans should eliminate confusion of the sort that reigned last October 20, when Chicago halted its stock index futures in anticipation of a trading halt on the New York Stock Exchange, which never transpired.

Approval of the plans was initially held up by the New York and American stock exchanges' insistence on similar trading halts being introduced by other domestic exchanges.

This clause has now been dropped, and other US exchanges have yet to formulate plans for their own circuit breakers.

In addition, the CME has its own price limits in place for the S&P 500 index futures. These limit the contract to a five-point move in the first 10 minutes of the markets' trading and after that, the exchange imposes a 12-point limit on a price move in either direction for 30 minutes.

● The Amsterdam-based European Options Exchange (EOE) has agreed with New York's American Stock Exchange (ASE) "European-Style" changes in the exercise rules for US major market index (XMI) options traded on both exchanges.

From October 24, newly-created XMI options will only be exercisable once they mature, EOE said.

Current "American-Style" XMI options can be exercised before maturity.

The EOE said the existing XMI series maturing November and December would continue trading normally under old rules until they were exercised. From December 19, all traded XMI series would be "European-Style" with exercise upon maturity only.

Malaysia drops HK bank from housing bonds

MALAYSIA has dropped the Hongkong and Shanghai Banking Corporation, the only foreign principal dealer, from the housing-mortgage bond market, Reuter reports.

Tan Keng Soon, the general manager of Cagamas, the national mortgage company which issues the bonds, said the decision was made by Bank Negara, the Malaysian central bank, which gave no reasons for the move.

Bankers said the directive from Bank Negara, which owns 20 per cent of Cagamas, was issued last month. Cagamas, set up in 1986, issues bonds to buy housing loans from financial institutions in order to ease their liquidity.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Wednesday October 19 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Tue Oct 18 Index No.	Mon Oct 17 Index No.	Fri Oct 14 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (210)	820.78	+0.6	10.52	4.07	11.75	22.05	816.06	815.36	810.51	854.68
2 Building Materials (28)	1034.48	+0.8	11.76	4.26	10.49	27.52	1026.57	1025.89	1026.79	1094.94
3 Contracting, Construction (38)	1623.47	+0.7	11.49	3.60	11.35	40.49	1611.96	1616.34	1615.18	1597.74
4 Electricals (12)	2344.23	+0.9	8.94	4.39	13.62	64.48	2324.07	2329.00	2324.60	2169.45
5 Electronics (29)	1770.94	+0.3	10.04	3.54	12.82	42.01	1765.18	1754.03	1724.49	1839.03
6 Mechanical Engineering (57)	428.55	+0.5	10.16	4.17	12.07	12.27	426.59	426.65	423.91	453.65
8 Metals and Metal Forming (7)	495.98	+0.2	9.80	3.90	12.61	10.06	494.79	499.55	496.42	479.75
9 Motors (16)	286.50	+0.5	11.39	4.62	10.13	8.12	284.96	284.75	283.06	331.13
10 Other Industrial Materials (23)	1372.16	+0.7	9.42	4.46	12.28	43.06	1362.26	1360.77	1356.32	1442.87
21 CONSUMER GROUP (186)	1098.99	+0.5	9.15	3.64	13.77	21.38	1093.06	1093.71	1077.59	1140.36
22 Brewers and Distillers (21)	1155.04	+0.4	10.27	3.57	12.20	23.00	1150.01	1150.28	1133.75	1057.79
25 Food Manufacturing (21)	979.42	+1.2	9.03	3.05	13.99	19.54	967.94	967.99	963.12	885.12
26 Food Retailing (16)	1942.07	-0.3	9.07	3.47	14.55	42.23	1948.32	1965.17	1966.98	2150.06
27 Health and Household (12)	1946.55	+0.5	6.67	2.53	17.32	18.03	1936.18	1935.01	1913.00	1972.42
29 Leisure (30)	1412.86	+1.1	8.67	3.44	14.80	30.27	1398.12	1398.03	1396.13	1268.04
31 Packaging & Paper (17)	565.09	+0.9	9.88	3.84	12.90	13.94	560.06	553.89	547.87	614.25
32 Publishing & Printing (19)	3507.76	+0.5	8.20	4.04	15.23	81.40	3489.67	3473.29	3383.05	3903.06
34 Stores (34)	773.64	+0.3	10.01	4.31	12.17	17.70	771.01	767.40	764.69	954.91
35 Textiles (16)	524.74	+0.3	13.22	5.29	8.88	13.02	523.17	525.81	520.77	763.68
40 OTHER GROUPS (92)	914.70	+0.4	11.04	4.40	11.05	22.92	911.35	913.23	905.04	960.40
41 Agencies (19)	1085.41	+1.0	8.11	2.56	15.56	19.25	1074.09	1073.66	1069.07	1248.15
42 Chemicals (22)	1072.24	+0.7	11.90	4.75	10.09	37.50	1064.62	1065.67	1056.56	1244.52
43 Conglomerates (12)	1262.66	+0.8	10.40	4.50	11.00	25.00	1252.34	1259.99	1253.60	1243.76
45 Shipping and Transport (12)	1962.19	+0.5	11.53	4.71	11.35	50.57	1951.09	1960.38	1950.00	2009.44
47 Telephone Networks (2)	981.81	-0.3	11.31	4.53	11.40	28.38	984.41	988.62	973.90	960.87
48 Miscellaneous (25)	1234.62	+0.2	11.43	4.40	9.96	37.24	1232.36	1227.41	1216.77	1412.90
49 INDUSTRIAL GROUP (488)	990.85	+0.5	10.02	3.96	12.38	22.76	985.07	985.66	975.00	1033.49
51 Oil & Gas (12)	1764.25	-0.5	10.68	6.30	12.00	76.79	1772.66	1772.86	1754.94	1867.38
59 500 SHARE INDEX (500)	1056.82	+0.4	10.11	4.20	12.33	27.28	1052.11	1052.67	1041.90	1104.37
61 FINANCIAL GROUP (123)	704.95	+0.6	–	5.08	–	23.97	700.87	703.01	700.56	733.02
62 Banks (8)	691.60	+1.4	20.29	6.41	6.61	31.13	682.04	680.03	684.37	724.05
65 Insurance (Life) (8)	1006.39	-0.1	–	5.27	–	39.81	1007.33	1004.35	1004.99	1036.03
66 Insurance (Composite) (7)	541.72	-0.2	–	5.77	–	22.33	542.78	544.76	545.29	552.42
67 Insurance (Brokers) (7)	969.92	+0.8	9.19	6.66	13.65	45.06	962.43	959.44	958.78	1050.39
68 Merchant Banks (11)	340.24	+0.7	–	4.32	–	9.20	337.95	338.40	335.99	449.75
69 Property (51)	1242.71	+0.2	5.44	2.66	23.40	17.65	1240.00	1243.36	1238.13	1119.02
70 Other Financial (31)	374.34	+1.1	10.25	5.34	12.26	11.66	370.31	366.03	365.62	501.94
71 Investment Trusts (77)	936.25	+0.7	–	3.07	–	15.97	929.53	926.75	921.96	1014.24
81 Mining Finance (2)	574.46	+0.1	10.64	3.64	10.47	15.67	573.84	572.87	560.31	492.30
91 Overseas Traders (8)	1352.58	-0.2	9.23	4.33	12.58	40.44	1354.91	1340.91	1320.48	1009.10
99 ALL-SHARE INDEX (710)	968.26	+0.4	–	4.35	–	26.02	964.35	965.05	955.69	1007.47

	Index No.	Day's Change	Day's High	Day's Low	Oct 18	Oct 17	Oct 14	Oct 13	Oct 12	Year ago
FT-SE 100 SHARE INDEX ‡	1862.5	+5.5	1867.8	1859.4	1857.0	1860.0	1840.6	1830.7	1814.3	1943.6

FIXED INTEREST

PRICE INDICES	Wed Oct 19	Day's change %	Tue Oct 18	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	120.13	+0.05	120.07	–	9.71
2 5-15 years	137.65	-0.01	137.67	–	11.51
3 Over 15 years	149.17	+0.01	149.16	–	12.64
4 Irredeemables	174.36	+0.06	174.27	–	8.84
5 All stocks	134.75	+0.01	134.73	–	11.10
Index-Linked					
6 5 years	129.83	+0.09	129.72	–	1.81
7 Over 5 years	125.55	+0.13	125.39	–	2.96
8 All stocks	125.71	+0.12	125.55	–	2.85
9 Debentures & Loans	117.98	-0.09	118.08	–	9.40
10 Preference	88.14	-1.05	89.08	–	5.08

AVERAGE GROSS REDEMPTION YIELDS		Wed Oct 19	Tue Oct 18	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.50	9.52	9.46
2	15 years	9.16	9.14	9.95
3	25 years	8.86	8.86	9.74
4 Medium Coupons	5 years	9.92	9.92	10.28
5	15 years	9.37	9.36	10.18
6	25 years	9.03	9.03	9.91
7 High Coupons	5 years	10.00	10.01	10.35
8	15 years	9.53	9.51	10.36
9	25 years	9.12	9.11	9.98
10 Irredeemables†		8.83	8.84	9.97
Index-Linked				
11 Inflation rate 5%	5yrs.	2.92	2.95	3.78
12 Inflation rate 5%	Over 5 yrs.	3.70	3.71	4.53
13 Inflation rate 10%	5 yrs.	1.74	1.76	3.98
14 Inflation rate 10%	Over 5 yrs.	3.52	3.53	4.56
15 Debs & Loans	5 years	11.80	11.65	11.83
16	15 years	11.00	11.00	11.63
17	25 years	10.69	10.69	11.44
18 Preference†		10.22	10.11	11.09

‡Opening index 1859.8; 10 am 1861.0; 11 am 1862.8; Noon 1865.8; 1 pm 1866.5; 2 pm 1867.3; 3 pm 1864.5; 3.30 pm 1867.4; 4 pm 1864.8
† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	49	51	12
Corporations, Dominion and Foreign Bonds	14	2	34
Industrials	548	246	747
Financial and Properties	298	80	332
Oils	25	25	29
Plantations	2	1	10
Mines	45	42	104
Others	72	49	133
Totals	1,005	497	1,481

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Oct 10
● Last Dealings Oct 21
● Last Declarations Jan 12
● For settlement Jan 23

For rate indications see end of London Share Service

Calls in Boddington, Marley, Norex, Eagle Trst, Singer & Fried, Scot & Newcastle, Lonrho, BSR, Raine Inds, Hewlet, Whitbreg, Coats Viyella, Hanson Cetywide, Blue Arrow, Suter, BSG, Wiltshaw, GEC, Piccadilly Radio, Thomson T-Line. Puts: Anglia Secs.

LONDON TRADED OPTIONS

[illegible]

October 19 Total Contracts 40,044 Calls 30,497 Puts 9,547
FT-SE Index Calls 6447 Puts 2565
*Underlying security price.

Order levels show encouraging upward trend

Lower tax lifts Hawker earnings

By Clare Pearson

HAWKER SIDDELEY, the electrical and mechanical engineering group, has reported a 10.25 per cent increase in interim pre-tax profits to £80.6m. But a lower Australian tax charge meant this translated into a near-15 per cent rise in earnings per share to 24.1p.

The company is also increasing its dividend for the six months to end-June by nearly 53 per cent to 8.4p (5.5p), in accordance with its new policy of paying about 40 per cent of the full year's amount as an interim. In 1987 it paid 19p.

With turnover at £870m (£835m), margins at the trading level improved from 8.5 to 9.3 per cent, despite tough price competition in most areas.

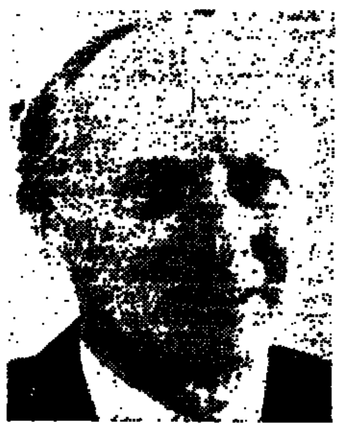
Thanks to Australia, where about 10 per cent of profits were generated, mainly in aircraft component activities, the tax charge fell by more than two per cent to 35.6 per cent.

Sir Peter Baxendell, chairman, said order book levels, even stripping out some "lumpy" contracts such as this summer's £120m three-year order from British Rail for locomotives, showed an "encouraging upward trend".

On the profit of at least £16m to be realised on the sale of Hawker's 65 per cent stake in Scottish whisky concern Invergordon Distillers, which was announced last Friday, Sir Peter said there were no specific reinvestment plans at present.

He said the company, which had made about 30 add-on acquisitions over the last 18 months, would be "entirely happy" to make a purchase of around £200m. But small, private companies in the United States, of which it bought three in the first six months, were much easier to find.

The company did not quantify the impact of acquisitions during the interim period but said they should put in around a net £20m in the full year.



Sir Peter Baxendell: easier to find small companies in the US

Mechanical specialised equipment, impeded by reduced demand from British Coal, was the only activity to make a lower contribution. Trading profits fell to £17.5m (£19.3m).

Diesel engineering, hit by lower Middle Eastern demand in 1986, showed a continued recovery to £5.2m (£3.7m). The contribution from electrical distribution and controls, the only activity whose turnover fell - by £4m to £220m - improved to £24m (£18.6m). Electric motors and generators put in £13.4m (£12.3m) and electrical specialised equipment £13.9m (£12.5m).

Other activities put in £6.7m (£4.8m), mainly reflecting a strong performance from Invergordon. The company, which was bought via the purchase of a majority stake in Carlton Industries ten years ago, will be sold to its management for £93m unless a higher bidder emerges.

See Lex

Thorn EMI Australian deal

By Clare Pearson

THORN EMI, electronics company, yesterday announced the second change in its Australian operations this week with the acquisition of a lighting fittings company for about A$60m (£28m).

The purchase of Howard Smith Industries follows Monday's news that Thorn is selling its Australian defence electronics arm for A$25m, due to a toughening environment for foreign-owned contenders for Australian defence contracts.

The acquisition also reflects Thorn's keenness to develop its lighting side on an international basis. Two months ago it bought Holophane, French industrial glass and lighting fixtures concern, for £87m, having defeated rival bidder Emess, a much smaller UK lighting company.

Mr Hamish Bryce, managing director of Thorn EMI Lighting, said that with the addition of Howard Smith, Thorn would have a strong platform for a sales thrust in the rapidly growing Asian-Pacific lighting market.

The exact price for Howard Smith has yet to be determined, but it will represent A$25.6m over the book value of the net assets. The company, was described as "profitable" though no precise figures were available yesterday. Turnover last year was A$64.4m.

Heine reduces Lonrho stake

By Ray Bashford

HEINE SECURITIES, a New York investment business which manages a number of mutual funds, has reduced sharply its Lonrho stake amid intense activity in the shares of the international trading group.

The Heine sell-off follows Tuesday's announcements that Bond Corporation, headed by Australian Mr Alan Bond, has acquired a 4.13 per cent holding and that Mr Asher Edelman, the US corporate raider, has sold his 4.75 per cent stake.

The New York group has cut its holding to 2.45 per cent, consisting of 11.1m shares, at a substantial profit. Heine has been on the Lonrho share register for three years and built upits holding to a peak of 7 per cent a year ago.

The group said in New York yesterday that the holding had been acquired for an average price of 160p, and the average price of the shares just sold was 355p.

This compares with yesterday's steady closing price of 374p. The shares were again traded heavily, with a turnover of 13m, although this was well below the 67m, representing about 7 per cent of the capital, which moved through the market on Tuesday.

US group raises stake in Avdel

By Nikki Tait

US-BASED Banner Industries has acquired a further 500,000 shares in Avdel, the former Newman Industries engineering group.

Two months ago, Banner paid £3.5m for an option over 35m Avdel shares (26.4 per cent of the equity) held by Suter, industrial conglomerate. The latest purchases, together with the existing stake belonging to Banner and its associate Transcontinental Services Group, means the US company now has an additional direct interest of 2.6m shares or another 1.96 per cent.

In New York yesterday, Mr Jeffery Steiner, chairman of Banner, declined to say what its plans might be. "We are exploring what our options might be," he commented.

Avdel shares gained 2½p to 77p yesterday. The option, which is exercisable until January 15 and extendable thereafter, allows Banner to buy the Suter holding at 70p a share.

S&N quotes MMC in its submission to the OFT

By Lisa Wood

SCOTTISH & NEWCASTLE Breweries, which is fighting a £1.6bn takeover bid from Elders IXL, was yesterday putting the final touches to its submission to the Office of Fair Trading.

The submission is expected to concentrate both on the financing of the bid and on a statement made by the Monopolies and Mergers Commission concerning brewers and acquisitions.

The MMC, in its 1985 investigation of S&N's first takeover bid for Matthew Brown - finally acquired by the Edinburgh-based brewer in 1987 - said: "There may well be a strong case, on public interest grounds, against acquisition of a regional brewer by any of the five largest national tied-estate brewers." The five brewers were Bass, Allied-Lyons, Whitbread, Grand Metropolitan and Courage.

Fears in the City over a possible referral of the bid to the MMC have depressed S&N's share price, which closed last night at 392½p, down 2½p.

Elders, which owns Courage, has offered £4 per share. Dealers yesterday said there was no evidence yet of Elders topping up its 9.65 per cent stake in S&N.

Elders, which plans to strip S&N back to its core brewing business should it acquire the hotel and drinks group, was mulled in response to yesterday's S&N's £42.5m investment in Pontin's, the holiday camp business.

Mr Michael Foster, managing director of Courage, said it was surprising that S&N was buying into a business which was recently divested by Bass, its largest competitor in Scotland.

Mecca launches teatime raid on Pleasurama shares at 240p

By Philip Coggan

MECCA LEISURE, the bingo, holiday camps and nightclubs group yesterday launched a teatime raid on Pleasurama, the leisure company, buying shares at 240p.

The frenzied activity came on the second closing date of Mecca's £742m bid, with market volume recorded at 17m shares. However, the buying took place after the market's 5pm close. The purchases reinforced the market view that the outcome of the bid would be very close.

Mecca announced at the weekend that it owned 4.1 per cent of Pleasurama's equity and had acceptances for a further 14.3 per cent. Since then, Provident Mutual, the largest single shareholder in Pleasurama with 5 per cent, has accepted Mecca's offer.

Takeover Panel rules allow Mecca to buy up to 15 per cent, giving it scope for purchases up to 10.9 per cent. Mecca is also able to extend the bid until Saturday.

Yesterday, Robert Fleming, one of the largest shareholders in Pleasurama with more than 4 per cent, announced that it had decided not to back the Mecca offer. Mr John Emly, chairman and chief executive of Fleming Investment Management, said that "we found it a very, very difficult decision. But looking back at the achievements of Pleasurama over a period of years, and taking into account the fact that we did not consider the Mecca offer to be a knockout price, we decided to back the board."

Other institutions which have said they are not accepting the offer include Sun Alliance, TR Industrial & General, Clerical & Medical and Manufacturers Hanover.

Mecca shares closed unchanged at 179p, whilst Pleasurama's rose 4p to 228p.

Raine extends Ruberoid offer

By Nikki Tait

RAINE INDUSTRIES, the housebuilder, has again extended its hostile offer for Ruberoid, the roofing materials company, for a further week to October 26.

At yesterday's closing date, the bidder said it had owned or had received acceptances in respect of 26 per cent of Ruberoid's equity – a drop from the 31 per cent claimed a week ago.

The battle over Ruberoid between Raine and rival bidder, Tarmac, now hinges on whether the Tarmac offer is referred to the Monopolies and Mergers Commission.

Tarmac's offer, which is worth 280p a share in cash, is recommended by the Ruberoid board, and the two companies have said that they would both sell certain roofing felt subsidiaries in the event of a merger, in an attempt to counter monopoly worries.

Lazards, advising Tarmac, said yesterday that these arrangements, which would be conditional on the Ruberoid bid going unconditional, were fairly close to completion.

No announcement has yet been made by the Department of Trade and Industry over an MMC reference, however, although this is expected soon. In general, the DTI tries to clarify the monopolies position by the first closing date of an offer – in the case of Tarmac, next Tuesday.

Tarmac, meanwhile, revealed that it went back into the market for Ruberoid shares on Tuesday, picking up 3.34m shares or 6.6 per cent at 270p. Some of these, the Tarmac camp has suggested, may represent shares previously assented to the Raine offer. This takes Tarmac's holding to 22.9 per cent and, adding in irrevocable acceptances already secured, Tarmac says it now has control of 28.3 per cent of its target.

Ruberoid shares were 1p lower at 262p.

IN BRIEF

IMTEC GROUP: Proposed financial restructure approved by shareholders at EGM. Under open offer of up to 22.25m new ordinary, applications received for 13.04m (58.6 per cent). Remaining 9.2m shares taken up by one of the BCV investors in form of new preference ordinary. Following the restructure, the BCV investors will hold 116.98m preference ordinary which will, following cancellation of the deferred shares, represent 54.5 per cent of the enlarged capital.

MAI: Dolphin International has agreed to acquire 1,868 roadside poster display panels from Mag Investments and Mills & Allen, both subsidiaries of Mai, for £4.75m cash, and a small deferred payment. Completion is expected on November 1.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Boot (Henry) ....int	5.5	Nov 22	5	-	14.5
Gresham House ......int	3	Dec 9	2.5	-	6
Hawker Siddeley ......int	8.4	Dec 30	5.5	-	19
House of Lerose ......int	3	-	3	-	9.7
Hunting Assocd ....int	4⁑	Dec 21	3.2*	-	7.2*
Klark-Teknik § ....fin	0.8	-	0.8	1.3	1.3
Runciman (W) ....int	4.5	Jan 5	3	-	6.5
Sims Food Grp § .....int	2.4†	-	1.9	-	6.9

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ⁑Carries share alternative; 9p total dividend expected.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Alpine Group, Atlas Converting Eq., BMSS, Davis & Newman, Estates & Agency Hldgs., European Colour, Freegold Group, Gerrard & National, Lep Group, Scottish Mortgage Trust, Sharpe & Law, Siam Fund (Cayman), Silverines, TDS Circuits, Transvaal Grp. Gold Mining.

Finals- East Rand Gold & Uranium, Fisher (A.), Free State Cons. Gold Mines, Kalamazoo, Leisure Inv., Orange Free State Inv., Spedrum, Tottenham Hotspur, Welkom Gold Mining.

FUTURE DATES

Interims-

Airflow Streamlines	Oct. 27
Channel Tunnel Inv.	Oct. 28
De Morgan Grp.	Nov. 21
Elliott (B.)	Oct. 28
Secs. Trust of Scotland	Oct. 27
Value Income Trust	Oct. 25

Finals-

Beazer	Oct. 25
Church (C.) Developments	Nov. 2
Majedie Hldgs.	Oct. 27
Union Carbide Grp.	Oct. 28

UK COMPANY NEWS

Gold Fields in anti-trust suit against Oppenheimer

By James Buchan in New York

CONSOLIDATED Gold Fields, the diversified UK mining group struggling to fight off a £2.9bn bid from the Oppenheimer family group of South Africa, is seeking to convince the US courts that the Oppenheimers are bent on a monopoly of the world gold market.

On October 21, a New York court will hear arguments on an aggressive anti-trust suit filed by Gold Fields and three affiliates.

It alleges that a takeover would give Mr Harry Oppenheimer's diamond and gold-mining interests control of a third of gold production outside the Communist world.

In documents filed in a district court in New York late on Tuesday, Gold Fields alleged that the Oppenheimer interests – represented in South Africa's Anglo American and De Beers groups and Minorco of Luxembourg, which is making the bid – were trying "to achieve in the gold market what they already have achieved in the diamond market – a monopoly".

The lawsuit, which demands an immediate injunction against the offer, is part of a three-pronged offensive in the US. Gold Fields has already petitioned President Reagan to block the takeover on the grounds that it will endanger US access to such strategic minerals as rutile and zircon, which are mined by Gold Fields' Australian affiliate, Renison Gold Fields.

Gold Fields is also lobbying among state politicians that a takeover could damage its local subsidiaries by putting them under South African control. Independent lawyers in New York said yesterday that Gold Fields must first establish that the court has jurisdiction over the bid, which is for a UK-based company by a Luxembourg company.

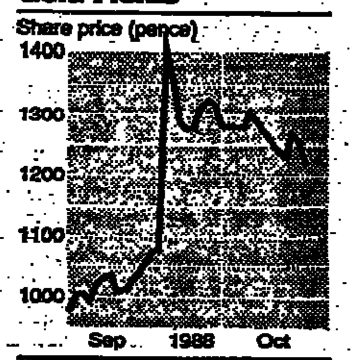
The Gold Fields camp retorts that the company has half its assets in the US and that much of its stock is held by Americans.

According to the lawsuit, De Beers was sued by the Justice Department in 1945 and investigated by the Federal Bureau of Investigation in the late-1960s for its role in the diamond market.

In the mid-1970s, a subsidiary of De Beers settled civil and criminal proceedings over alleged price-fixing in the diamond drill business.

Gold Fields is confident it can convince the court of the anti-trust implications of the bid. "We know a bit more about this organisation than the Justice Department," an official said.

Consolidated Gold Fields



Quadrupled profits, £14m rights and £4.3m buy at Sims

By Clare Pearson

SIMS FOOD Group, the USM-quoted meat producer run by Mr Ron Randall, is raising about £14m through a two-for-seven rights issue and is adding Russell Meats to its growing stable of companies.

Yesterday's announcement came as Sims unveiled pre-tax profits for the six months to September 30 up from £457,000 to £2.2m, reflecting Mr Randall's rapid injection of new companies.

He took control, initially through the acquisition of a majority share stake, in June last year.

Mr Randall said the first-half performance belied earlier fears that sales would be adversely affected by higher beef prices arising from the imposition of milk production quotas.

Despite a 15 per cent price rise, demand was no more than seasonally down, he maintained.

About 60 per cent of the profits advance in the six months to the end of September came from acquisitions. Turnover rose to £60.57m (£11.57m).

Earnings per 5p share worked through at 8.6p (6.93p), and a 2.4p (1.9p) interim dividend is being paid.

Sims' shares fell 30p to 358p on news of the rights issue, which is of 4.62m new ordinary shares at 310p each. The holding of Mr Randall and his family, who will be taking up only part of their entitlement, will fall to about 10 per cent.

Most of the proceeds of the rights issue will be used to eliminate the enlarged group's £9m-worth of indebtedness. Sims expects to continue to invest substantially in plant and equipment, especially to expand its controlled-atmosphere packing of meats for supermarket sale.

Russell Meats, based in the South of England, is being bought for £4.29m, of which £2.45m is payable in cash and the remainder in 504,100 new Sims ordinary shares. The company processes and distributes beef, poultry and game for the hotel and catering trade.

The purchase of Russell represents Sims' fifth acquisition since Mr Randall, who chaired Meadow Farm Produce prior to its takeover by Hillsdown Holdings, took control. He held stakes in two of the companies acquired.

Hunting Inds up to expectations at £9m

By Vanessa Houlder

A NEAR 26 per cent increase, from £7.13m to £8.97m, in pre-tax profits for the first half of 1988 is announced by Hunting Associated Industries, the defence, electronics and aviation support group.

Results were in line with analysts' expectations and the share price rose by 1p to 383p.

The company said it was confident the growth in profits would continue, with the second half showing an improvement both over the first and over the same period in 1987.

That would allow the year's dividend total to be held at 9p on capital increased by the scrip issue, an effective rise of 25 per cent. The interim is being lifted to 4p (3.2p).

Turnover was almost static at £168.35m (£166.15m), reflecting the end of the sharp growth in sales achieved by the defence division in the last three years. Profits, however, improved since the maturity of contracts such as the JP233 runway bomb enabled Hunting to take a larger share of profits on the contract and improve its production efficiency.

Contribution from defence and engineering activities increased, although it was reduced by a decision to exclude interest income from customers' downpayments until the contract was paid for. This decision was taken because the size of the downpayment often affects the value of the total contract.

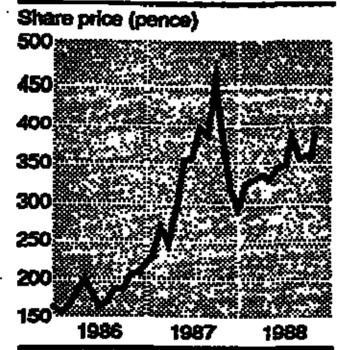
The aviation support businesses increased profits, although the Canadian side made a lower contribution as a result of the absence of new aircraft sales.

Profitability of the remaining resource survey and photographic businesses improved, and profits were further boosted by a £1m trading profit on the sale of premises occupied by resource survey companies. The losses at the composites business were reduced from £800,000 to £250,000 and were expected to be reversed in the course of the next eighteen months.

Hunting Petroleum Services, the principal related company, increased profits by 33 per cent to about £100,000.

Earnings per share increased by 29.3 per cent to 19p on a fully diluted basis.

Hunting Associated Industries



● COMMENT

The life of the defence contractor risks being a feast or famine affair. With Hunting's main moneyspinners - the JP233 runway bomb and LAW 80 anti-armour weapon - now approaching their peak, attention is increasingly focussed on what will happen at the end of the JP233's life in two years time. But Hunting's answer to the problem looks a convincing one. For one thing, it has a good chance of winning export orders for the LAW 80. For another, it has an even chance of securing a major contract for the SWAARM - its contender for the next generation of airborne anti-armour weapons. Hunting is now one of two candidates to win the contract, and while the decision is not for at least another year, Hunting seems likely to be given a further development contract in the meantime. As yet another bulwark against a decline in its defence business, Hunting aims to build up its newly-acquired electronics business into a third major leg. All in all, the risk of a contraction in defence profits in the early 1990s is tempered by secure short term growth and long term potential. That makes the rating of 9, assuming full year profits of £22m, look undemanding.

Allied Irish affiliate rejects offer

By David Lascelles, Banking Editor

ALLIED IRISH Banks received a setback to its US expansion plans yesterday when First Maryland, its 49 per cent owned affiliate, rejected its offer to buy the remaining 51 per cent.

First Maryland said the committee of its board set up to evaluate the $35.25 a share bid had decided that it was inadequate. This was based on the advice of Salomon Brothers and Alex Brown and Sons, its investment bankers.

But the bank said the committee had directed its financial and legal advisers to continue discussions with Allied Irish to negotiate improvements in the offer terms.

In Dublin, Allied said it was "disappointed" by the announcement, but reaffirmed its belief that the offer was "full and fair" and beneficial to the shareholders, customers and employees.

Allied said it intended to pursue its offer and would continue discussions with First Maryland. The $340m (£194m) bid was made on September 12 as part of Allied's strategy to consolidate its US foothold. It announced simultaneously a I£110m rights issue.

CWF receives approach to buy A&M holdings

By Philip Coggan

CITY & WESTMINSTER Financial, the corporate finance company run by Mr Andrew Greystoke, said yesterday it had received an approach from a party wishing to purchase its holdings in A&M, the furniture hire and TV production group.

CWF owns 7.2 per cent of the ordinary equity, has options over a further 4.8 per cent and holds £250,000 nominal of convertible stock.

The potential buyers are interested in developing A&M but it is not anticipated that a general offer would be made for the company. Mr Bryan Flinn, the "company doctor" brought in by CWF, will continue as chairman.

A&M lost £1.7m last year and was close to receivership before CWF arranged a £2.8m convertible loan stock issue. Mr Greystoke said CWF was now willing to sell because it had achieved its goals of injecting new management and helping the company to be turned round.

Marler disposes of stake in Zurich Group

By Philip Coggan

MARLER ESTATES has sold its 6.7 per cent stake in fellow property company Zurich Group to Freehold Trading, a Jersey-based investment company.

Marler acquired its stake when it launched a refinancing for Ecobric Holdings, the demolition company. Zurich reversed into Ecobric earlier this year, in a package which diluted Marler's stake from 64 per cent to 6.7 per cent.

Mr Malcolm Wright, chairman of Zurich, and Mr Robert Noonan, chairman of Marler, both said they did not know the identity of the investors behind Freehold Trading.

Meanwhile, Mr Andrew Millar, the former chairman of Benlox Holdings, sold a 4.2 per cent stake in Zurich, though he retains an option over the shares.

Cifer goes on the bid trail

By Philip Coggan

Cifer, the USM-quoted electronics company, has made its first acquisition since it announced a reconstruction package in August.

It is buying the business and assets of ATS Communications, a communication equipment manufacturer, from the receiver for £788,000 cash.

Mr Bill Weinstein, a management consultant, led a consortium which acquired a stake in Cifer as part of a £2.5m recapitalisation package two months ago.

Cifer had been struggling since 1984 and is forecasting a net loss of £210,000 this year.

Delta expansion in Australia

Delta Group, the engineering and electrical equipment company, has acquired Cutting Edges, an Australian supplier of ground engaging tools and earthmoving equipment for A$12m (£5.6m). Cutting Edges has annual sales of A$15m.

Delta said that the acquisition complemeted its activities in the manufacture and distribution of consumables for Australian industry,

IN BRIEF

CHILDRENS MEDICAL Charity Investment Trust had net asset value of 97.1p at June 30 (115.6p). Net revenue for six months £31,226 (£39,941).

FIRST CHARLOTTE Assets Trust reported net asset value of 14.65p at the end of the six months to June 30, against 14.01p at the end of the year to March 31. Gross revenue was £181,000 (£158,000) and pre-tax profit rose from £31,000 to £104,000. After tax of £30,000 (£16,000) earnings per 5p share were 0.1p (0.02p).

GRESHAM HOUSE increased pre-tax profit to £431,000 (£347,000) for first half of 1988. Earnings were 6p (5.2p) and interim dividend 3p (2.5p). Dividend and interest came to £395,000 (£399,000), rental income £430,000 (£485,000), subsidiaries contribution £514,000 (£464,000). Erskine House has made offer for Quest, and Gresham accepting in respect of its 19.5 per cent holding.

PLANTATION TRUST: CDFC Trust and concert parties have extended offers until November 1. CDFC speaks for 45.5 per cent of the ordinary and 20.7 per cent of the convertible loan stock.

YEARLING BONDS totalling £0.5m at 11⅝ per cent, redeemable on October 25 1989, have been issued by the following local authorities. Tamworth Borough Council £0.25m: West Lancashire District Council £0.25m.

Klark-Teknik profits for year slip to £976,000

Klark-Teknik, USM-quoted designer and manufacturer of electronic equipment, raised turnover by 17 per cent from £4.49m to £5.25m in the year to July 31. But operating profit was reduced from £1.09m to £936,000.

After lower interest received of £40,000 (£52,000), pre-tax profit slipped to £976,000 (£1.14m).

Earnings per 5p share came out at 3.9p (4.5p). The directors have recommended a maintained final dividend of 0.8p for an unchanged total of 1.3p.

They said the present financial year had started well, though they expected most growth to be achieved in the second half.

They intended to seek authority to write-off against the share premium account goodwill arising from the acquisitions of Celco and Midas.

BM sells James Neill stake after failing to agree deal

By Vanessa Houlder

IN A move which did little to quell the bid speculation surrounding James Neill, BM Group said yesterday that it had sold its 4.87 per cent holding in the hand and garden tool manufacturer.

Mr Roger Shute, chairman and chief executive of BM, said the decision to sell was taken because BM failed to make an agreed deal with James Neill. "We were unwilling to jeopardise our shareholders' positions by making a hostile bid," he added.

Mr Peter Bullock, group chief executive of James Neill, welcomed the decision not to pursue a hostile bid. "They have thrown in the towel because we were a tougher nut to crack than they thought," he said. "We have a crackerjack set of institutions backing us up."

Although analysts believe that the stake, which was sold through Albert E Sharp, may have been split up, it is thought possible that another hostile shareholder will emerge. James Neill's share price fell by 6p to 224p after the announcement, at which level it is substantially above the 201p price at the end of September just before BM's stake was revealed.

In mid-September, when James Neill announced a drop in pre-tax profits from £3.82m to £2.71m for the first six months of 1988, the share price fell to 176p.

UK COMPANY NEWS

Ptarmigan makes two acquisitions

By Clare Pearson

PTARMIGAN HOLDINGS, the acquisitive foods company with substantial interests in *fish farming which changed its name from Squirrel Horn last year*, yesterday announced the purchases of a Welsh cake decorating company and a north Staffordshire hotel for a maximum of £4.6m.

It is partly financing the deals through an issue of 3.72m new shares, representing 38 per cent of the enlarged capital.

Ptarmigan also announced its first set of results since the sale of the loss-making Squirrel Horn confectionery business in August last year. These show a return to profits of £114,000 for the first half of the year (loss £93,000), and from earnings of 1.4p (loss 1.9p) there is an interim dividend of 0.25p - the first payment for three years.

The hotel is the Bank Hotel, *Uttoxeter, and is the second* bought by the company this year. Mr Patrick Fox, managing director, explained the aim was to build up a cash generative arm to complement the heavily cash-consuming fish farming side.

The decorating company is Gainsborough Flowers, which makes artificial flowers and dovetails with Mary Ford, a company bought earlier this year, he said.

All but 694,444 of the new shares are being placed on behalf of the vendors at 72p, with clawback arrangements for existing shareholders. The entire £500,000 payment for Bank is being satisfied through this placing.

The £2.5m initial consideration for Gainsborough is being partly financed by an issue of £825,000 unquoted loan notes. A further consideration of up to £1.6m, to be satisfied as to 60 per cent in loan notes and 40 per cent in shares, depends on Gainsborough's profits over the next three years.

Gainsborough has warranted pre-tax profits of not less than £325,000 for the year to end-September. The freehold property and assets of Bank have been valued at £485,000.

Ptarmigan group results included six months from fish farming and from G.A. Stadler, the sausage skin manufacturer, but only seven weeks from Mary Ford and Provincial Butchers Supplies, the Northern Irish wholesale supplier. Turnover was £1.2m (£3.76m).

Chieftain's £7.6m USM quote

By Fiona Thompson

CHIEFTAIN GROUP, supplier of specialist insulation and fireproofing services, is joining the Unlisted Securities Market via a placing which values the company at £7.6m.

Hoare Govett is placing 3m shares, representing 36.3 per cent of the enlarged equity, at 92p. Existing shareholders are selling 2.26m shares and the 744,000 new shares will raise, after expenses, £440,000 for the company for future expansion.

Chieftain provides three main services. On the insulation side it supplies and applies insulation materials and finishes; supplies and fits metal cladding, plywood and other board material to pipes, valves, tanks and ducting; and removes insulation including asbestos.

The company also supplies and applies fireproofing materials including fire resistant paint, cement and mineral fibre to steel structures of buildings and plant, and supplies fire barriers.

The third division, outfitting, erects floors, ceilings, and partitions; installs cold stores; installs furniture and fittings; and fabricates and erects ducting.

Insulation and fireproofing customers include refineries, petrochemical, pharmaceutical, food processing and gas plants, power stations and distilleries. On the marine side, Chieftain provides insulation, fireproofing and outfitting services to the shipbuilding and ship repair industries, and for the offshore oil and gas industries, particularly for accommodation modules.

The company was founded in 1979 and after a management buy-in in the mid-1980s Mr Peter Wardle became chairman and joint managing director with Mr Bill Taylor. Both had been invited to come aboard, bringing expertise and equity, by Chieftain's founder Mr Tony Fairlamb. The three had met working at Cape Contracts, a subsidiary of Cape Industries, the UK's largest insulation contractor.

Pre-tax profits have risen from £3,000 on sales of £412,000 in 1984 to profits of £356,000 on turnover of £6.81m last year. The company forecasts it will make pre-tax profits of not less than £1m for 1988 which puts it on a prospective p/e ratio of 10.5.

After the sale of some of their existing holdings, Mr Wardle will hold a 33 per cent stake in Chieftain, Mr Taylor 17 per cent and Mr Fairlamb 14 per cent.

SHARE STAKES

Changes in the following company share stakes were announced recently:-

Aaronson Bros- Scottish Amicable Investment Managers has increased holding from 1.87m to 2.27m ordinary (6.18 per cent).

Cliffords Dairies- Coombe Farm Foods Holdings acquired 126,800 ordinary (5.67 per cent).

Frogmore Estates- Markheath Securities holds 3.26m ordinary (8.26 per cent).

Futura Holdings- Selective Investments has sold its entire holding of 97,350 ordinary (12.94 per cent).

Havelock Europa- Mackays Stores disposed of 827,500 ordinary (5.2 per cent) reducing its holding to 2,000 (less than 1 per cent).

Initec Group- Bolton House Securities disposed of 1m shares reducing holding from 16 per cent to 14 per cent.

Leisuretime International- Globe Investment Trust purchased 2.31m ordinary and now holds 4m ordinary (9.75 per cent).

Manders (Holdings)- British Steel Pension Fund has increased its interest from 6.73m to 7.57m ordinary (21.68 per cent).

Splash Products- F.J. Porter holds 2.09m ordinary (12.77 per cent). R. Stanion disposed of 400,000 ordinary at 58p per share leaving his holding at 762,791 ordinary (4.67 per cent).

Throgmorton Dual Trust- Cornhill Insurance has purchased 232,500 capital shares (6.64 per cent).

Walker Greenbank- E.M. Freedman disposed of 2.87m ordinary and is now interested in 4m ordinary (4.42 per cent).

Henry Boot tops £1m at six months

FURTHER PROGRESS was achieved by Henry Boot & Sons in the first half of 1988 with pre-tax profit rising 21 per cent, from £931,000 to £1.13m.

That was generated on turnover only 12 per cent ahead to £77.08m. Earnings came out at 15.2p (13.7p) and the interim dividend is up to 5.5p (5p).

Mr David Boot, chairman, said the private house building and property development companies had continued their profitable expansion. Property investment had maintained a solid contribution.

In building and civil engineering work competition had remained intense. The plant hire side had held its own.

Additional rationalisation had been effected within the railway engineering companies. Currently there was a reasonable order book for the home market but delays had occurred in winning overseas work. The track-laying contract in Hong Kong was completed on time, while the joint venture contract for the Mass Rapid Transit Corporation in Singapore continued to meet expectations.

Mr Boot said the effort and time expended on the training company continued to benefit the group and the industry as a whole. The inner city company was building up a reputation which should leave the group well placed for regeneration work in inner cities and other depressed areas.

Runciman ahead and on target to hit £3.8m forecast

By Vanessa Houlder

WALTER RUNCIMAN, the shipping, security and insurance group that fought off a bid from Telfos Holdings in the summer, yesterday announced a 37 per cent rise in pre-tax profits to £1.81m (£1.32m) for the six months to June 30.

Mr Garry Runciman, chairman, said that these "excellent" results and the group's prospects for 1989 and beyond fully justified the support from shareholders during the bid. The results, which leave the company on target to meet its full year profits forecast of £3.8m, left the share price unaltered at 325p.

The £30m bid by Telfos Holdings, a diversified engineering company, which offered paper or 328p in cash for each Runciman share, failed in August after Telfos secured 48.7 per cent of Runciman.

Mr Runciman said that all the group's operating companies performed well with the exception of Currie Line's North Sea container services. This incurred losses in the first half as expected but is now trading profitably.

The second half of the year had started strongly and profits were expected to be significantly higher than those for the first half.

The outlook for 1989 was also extremely encouraging, Mr Runciman said.

First half turnover dropped from £19.3m to £15.7m following the sale of Tann-Synchronome, a security company, to Tunstall Group.

An extraordinary item of £1.27m resulted from the profit on this sale, less the loss on the closure of a shipping agency business.

An exceptional item of £60,000 resulted from redundancy costs in the shipping and security businesses.

Earnings per share increased by 36 per cent to 13.2p. The interim dividend was raised by 50 per cent to 4.5p (3p).

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unem-ployed	Vacs.
1987							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September						[illegible]	[illegible]

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1987							
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserves US$bn*
1987							
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmr. credit† £m	Base rate %
1987							
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.							[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September							[illegible]

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earn-ings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* commdty.	Sterling
1987							
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.		[illegible]	[illegible]			[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	124.4	96.3	112.2	105.8	104.4	1,736	78.2
May	124.2	97.7	112.8	106.2	104.7	1,778	78.4
June	125.9	99.5	113.0	106.6	104.8	1,936	75.3
July	128.2	98.4	113.5	106.7	104.0	1,878	75.6
August		98.5	113.9	107.9	104.4	[illegible]	76.5
September		98.1	114.3			1,873	75.6

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

Lerose down to £0.53m

HOUSE OF Lerose, which experienced a profits downturn in both the first and second halves of the 1987 year, continued to suffer in the opening half of 1988 with pre-tax figures for the period emerging £173,000 lower at £529,000.

The directors said that in the UK, retail margins were adversely affected by higher costs on new shops not yet matched by turnover growth – the group's main activity is the design, manufacture and sale of ladies' fashionwear, including knitwear.

The half-year saw turnover improve to £9.09m (£8.63m), the increase coming mainly from UK garment manufacturing where actions to develop other markets in addition to the company's other traditional one were bearing fruit.

Earnings worked through at 5.3p (7.2p) and the interim dividend is a same-again 3p per 25p share.

For 1987 as a whole pre-tax profits fell from £1.82m to £1.1m.

PUBLIC WORKS LOAN BOARD RATES

Effective October 19

Years	Quota loans repaid by EIP†	Quota loans repaid AT††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid AT††	Non-quota loans A* repaid at maturity§
1			$10\frac{5}{8}$			$11\frac{3}{8}$
Over 1 up to 2	$10\frac{5}{8}$	$10\frac{1}{2}$	$10\frac{1}{4}$	$11\frac{5}{8}$	$11\frac{1}{2}$	11
Over 2 up to 3	$10\frac{3}{8}$	$10\frac{3}{8}$	$10\frac{1}{8}$	$11\frac{3}{8}$	$11\frac{3}{8}$	$10\frac{7}{8}$
Over 3 up to 4	$10\frac{1}{4}$	$10\frac{1}{4}$	$10\frac{1}{8}$	$11\frac{1}{4}$	$11\frac{1}{4}$	$10\frac{7}{8}$
Over 4 up to 5	$10\frac{1}{8}$	$10\frac{1}{8}$	$10\frac{1}{8}$	$11\frac{1}{8}$	$11\frac{1}{8}$	$10\frac{7}{8}$
Over 5 up to 6	$10\frac{1}{8}$	$10\frac{1}{8}$	$10\frac{1}{8}$	$10\frac{5}{8}$	$10\frac{5}{8}$	$10\frac{5}{8}$
Over 6 up to 7	$10\frac{1}{8}$	$10\frac{1}{8}$	$10\frac{1}{8}$	$10\frac{5}{8}$	$10\frac{5}{8}$	$10\frac{5}{8}$
Over 7 up to 8	$10\frac{1}{8}$	$10\frac{1}{8}$	$10\frac{1}{8}$	$10\frac{5}{8}$	$10\frac{5}{8}$	$10\frac{5}{8}$
Over 8 up to 9	$10\frac{1}{8}$	$10\frac{1}{8}$	10	$10\frac{5}{8}$	$10\frac{5}{8}$	$10\frac{1}{2}$
Over 9 up to 10	$10\frac{1}{8}$	$10\frac{1}{8}$	$9\frac{7}{8}$	$10\frac{5}{8}$	$10\frac{5}{8}$	$10\frac{3}{8}$
Over 10 up to 15	$10\frac{1}{8}$	$9\frac{7}{8}$	$9\frac{1}{2}$	$10\frac{5}{8}$	$10\frac{3}{8}$	10
Over 15 up to 25	$9\frac{5}{8}$	$9\frac{1}{2}$	$9\frac{1}{4}$	$10\frac{1}{8}$	10	$9\frac{3}{4}$
Over 25	$9\frac{3}{8}$	$9\frac{1}{4}$	$9\frac{1}{4}$	$9\frac{7}{8}$	$9\frac{3}{4}$	$9\frac{3}{4}$

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Gencor Group

- Average rand gold price 6% higher
- Average yield 5% higher
- Costs increase by 5,7% following the annual wage increases
- Total net income 11,7% higher
- Production up by 5,4%

GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 30 SEPTEMBER 1988

All companies mentioned are incorporated in the Republic of South Africa

WESTERN TRANSVAAL & EAST RAND

BUFFELSFONTEIN Gold Mining Company Limited

Company Registration No. 05/33434/06

Steady performance maintained

Issued capital—11 000 000 ordinary shares of R1 each.
—12 400 198 cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 30.9.1988	Quarter ended 30.6.1988
Gold		
Mined (m²)	141 148	141 636
Ore milled (t)	638 000	662 000
Gold produced (kg)	3 916	3 781
Yield (g/t)	6,1	5,7
Working revenue (R/t milled)	206,12	183,29
Working costs (R/t milled)	162,18	148,50
(R/m² mined)	732,07	693,21
(R/kg produced)	26 423	25 947
Working income (R/t milled)	43,94	34,79
Gold price received (R/kg)	33 580	31 843
($/oz)	431	455
Uranium		
Pulp treated (t)	608 000	662 000
Oxide produced (t)	112	112
Yield (kg/t)	0,18	0,17

FINANCIAL RESULTS (R'000)	Quarter ended 30.9.1988	Quarter ended 30.6.1988
Gold—Working revenue	131 507	121 349
—Working costs	103 472	98 285
—Working income	28 035	23 064
Uranium—Working income	3 904	2 125
Sundry income—net	1 967	3 293
Tribute and royalties—net	(4 111)	(1 580)
Income before taxation and State's share of income	29 795	26 902
Taxation and State's share of income	9 945	11 097
Dividend received—Chemwes	—	1 340
Share of income—Beatrix mine	1 995	3 701
Income after taxation and State's share of income	21 824	20 911
Capital expenditure	7 663	3 208
Dividends declared—ordinary shares	—	22 000
—preference shares	10 476	10 858

DEVELOPMENT—Vaal Reef and Lindum "C" Reef	Quarter ended 30.9.1988	Quarter ended 30.6.1988
Advanced (m)	5 746	5 822
Advanced on reef (m)	708	600
Sampled (m)	695	494
Channel width (cm)	65	67
Average value—gold (g/t)	14,6	16,4
(cm.g/t)	950	1 424
—uranium (kg/t)	0,449	0,571
(cm.kg/t)	29,44	48,86

REMARKS
- Estimated capital expenditure for the next six months—R14 million.
- The share of income from Beatrix mine is now being paid quarterly (formerly 6-monthly).
- Dividends on cumulative preference shares are now being paid quarterly.
- The mine has excelled in the Chamber of Mines' Safety Target Competition.

Beatrix mine

(A division of Buffelsfontein Gold Mining Company Limited)

Continued good performance

In terms of an agreement, 16 percent of the distributable income from the Beatrix mine is attributable to Buffelsfontein and the balance to Beatrix Mines Limited.

OPERATING RESULTS	Quarter ended 30.9.1988	Quarter ended 30.6.1988
Mined (m²)	129 827	120 728
Ore milled (t)	530 000	525 000
Gold produced (kg)	3 185	3 150
Yield (g/t)	6,0	6,0
Working revenue (R/t milled)	202,25	192,30
Working costs (R/t milled)	110,51	102,30
(R/m² mined)	451,13	444,27
(R/kg produced)	18 416	17 050
Working income (R/t milled)	91,75	89,95
Gold price received (R/kg)	33 698	31 769
($/oz)	432	452

FINANCIAL RESULTS (R'000)	Quarter ended 30.9.1988	Quarter ended 30.6.1988
Working revenue	107 200	100 262
Working costs	58 569	53 707
Working income	48 631	46 555
Sundry income—net	2 005	(4 394)
Royalty payments	(16 080)	(15 055)
Income before taxation	34 556	27 106
Taxation	14 743	12 412
Income after taxation	19 813	14 694
Capital expenditure	5 427	6 130

DEVELOPMENT—Beatrix Reef	Quarter ended 30.9.1988	Quarter ended 30.6.1988
Advanced (m)	8 335	7 842
Advanced on reef (m)	1 884	1 478
Sampled (m)	1 595	1 536
Channel width (cm)	48	56
Average value—gold (g/t)	15,0	15,3
(cm.g/t)	720	858

REMARKS
- Estimated capital expenditure for the next six months—R14 million.
- Payments to Beatrix Mines Limited:

Royalties	16 080	15 055
Interest		
Dividends on cumulative preference shares	10 475	15 858

(The dividends are now being paid quarterly).

STILFONTEIN Gold Mining Company Limited

Company Registration No. 05/33412/06

Mine recovers from effects of shaft accident

Issued capital—13 062 320 shares of 50 cents each.

OPERATING RESULTS	Quarter ended 30.9.1988	Quarter ended 30.6.1988	9 months ended 30.9.1988
Mined (m²)	35 324	16 705	103 152
Ore milled (t)	320 000	260 000	858 000
Gold produced (kg)	1 169	601	3 083
Yield (g/t)	3,7	2,3	3,6
Working revenue (R/t milled)	122,94	73,98	113,60
Working costs (R/t milled)	96,16	119,94	120,28
(R/m² mined)	871,08	1 866,81	1 000,45
(R/kg produced)	26 322	51 889	33 473
Working income (R/t milled)	26,78	(45,96)	(6,68)
Gold price received (R/kg)	33 675	32 399	31 582
($/oz)	432	460	446

FINANCIAL RESULTS (R'000)	Quarter ended 30.9.1988	Quarter ended 30.6.1988	9 months ended 30.9.1988
Working revenue	39 340	19 235	97 473
Working costs	30 770	31 185	103 198
Working income/(loss)	8 570	(11 950)	(5 725)
Sundry income—net	1 410	1 326	4 162
Proceeds of insurance claim	3 516	17 894	21 410
Tribute and royalties—net	(3 144)	(1 424)	(8 682)
Income before taxation and State's share of income	10 352	5 846	13 165
Taxation and State's share of income	5 399	495	5 894
Dividend received—Chemwes	—	5 360	5 360
Income after taxation and State's share of income	4 953	10 711	12 631
Capital expenditure/(recoupment)	(210)	574	339
Dividend declared	—	5 225	5 225

DEVELOPMENT	Quarter ended 30.9.1988 Vaal Reef	V.C.R.	Quarter ended 30.6.1988 Vaal Reef	V.C.R.	9 months ended 30.9.1988 Vaal Reef	V.C.R.
Advanced (m)	555	—	682	—	3 434	101
Advanced on reef (m)	126	—	81	—	584	52
Sampled (m)	130	—	65	—	586	45
Channel width (cm)	17,5	—	19,0	—	20,5	38,9
Average value—gold (g/t)	72,6	—	51,8	—	55,9	5,7
(cm.g/t)	1 271	—	984	—	1 132	223
—uranium (kg/t)	1,113	—	1,128	—	1,081	0,063
(cm.kg/t)	19,48	—	21,48	—	22,15	2,46

REMARKS
- Estimated capital expenditure for the next six months—R2,6 million.
- A total of 132 000 tons (June quarter 220 000 tons) was milled from surface dumps during the quarter.
- Rehabilitation of the Margaret Shaft following the accident on 1 April 1988 is progressing satisfactorily. Further rock settlement above the mined out shaft pillar has however necessitated further remedial action which could delay the recommissioning until early 1989.
- Future dividends from Chemwes could be affected (see note under Chemwes).

Chemwes Limited

Company Registration No. 64/02278/06

(A subsidiary of Stilfontein Gold Mining Company Limited)

Market problems severely affect revenue

Issued capital—1 000 shares of R1 each.

OPERATING RESULTS	Quarter ended 30.9.1988	Quarter ended 30.6.1988	9 months ended 30.9.1988
Uranium			
Pulp treated (t)	881 000	900 000	2 641 000
Oxide produced (t)	112,5	123,3	351,6
Yield (kg/t)	0,128	0,137	0,133
FINANCIAL RESULTS (R'000)			
Net income after taxation	827	3 368	7 313
Capital expenditure	124	13	161
Dividend declared	—	6 700	6 700

REMARKS
- A major customer has requested the cessation of deliveries, which has affected the income for the quarter. Negotiations are underway and further announcements will be made in this regard.

WEST RAND Consolidated Mines Limited

Company Registration No. 01/01676/06

Previous losses reversed

Issued capital—4 260 000 ordinary shares of R1 each.
— 25 000 deferred shares of R2 each.

OPERATING RESULTS	Quarter ended 30.9.1988	Quarter ended 30.6.1988	9 months ended 30.9.1988
Mined (m²)	75 826	73 719	231 882
Ore milled (t)	447 000	461 000	1 390 000
Gold produced (kg)	932	880	2 768
Yield (g/t)	2,1	1,9	2,0
Working revenue (R/t milled)	72,04	62,10	65,09
Working costs (R/t milled)	69,71	62,79	65,62
(R/m² mined)	363,11	392,69	393,37
(R/kg produced)	33 460	32 449	32 949
Working income/(loss) (R/t milled)	2,33	(0,69)	(0,53)
Gold price received (R/kg)	33 488	31 854	31 877
($/oz)	428	453	446

FINANCIAL RESULTS (R'000)	Quarter ended 30.9.1988	Quarter ended 30.6.1988	9 months ended 30.9.1988
Working revenue	32 201	28 629	90 519
Working costs	31 163	28 941	91 249
Working income	1 038	(312)	(730)
Sundry income—net	522	509	2 087
Tribute and royalties—net	(119)	(288)	(861)
Income before taxation	1 441	(91)	496
Taxation	351	253	582
Income after taxation	1 090	(344)	(86)
Capital expenditure	136	72	487
Dividends declared	—	—	—

DEVELOPMENT	Quarter ended 30.9.1988	Quarter ended 30.6.1988	9 months ended 30.9.1988
Advanced (m)	2 096	3 782	9 806
Advanced on reef (m)	544	1 603	3 380
Sampled (m)	489	1 422	3 324
Channel width (cm)	82	72	75
Average value—gold (g/t)	10,7	12,8	12,0
(cm.g/t)	877	924	886

REMARKS
- A total of 143 000 tons (June quarter 144 000 tons) of sand from the North Sand Dump was treated.
- Estimated capital expenditure for the next six months—R1 million.

The GROOTVLEI Proprietary Mines Limited

Company Registration No. 01/00898/06

Steady performance from Grootvlei

Issued capital—17 438 618 stock units of 25 cents each.

OPERATING RESULTS	Quarter ended 30.9.1988	Quarter ended 30.6.1988	9 months ended 30.9.1988
Mined (m²)	74 346	73 762	221 298
Ore milled (t)	318 000	331 000	969 000
Gold produced (kg)	1 087	1 104	3 291
Yield (g/t)	3,4	3,3	3,3
Working revenue (R/t milled)	115,31	105,85	105,76
Working costs (R/t milled)	87,58	83,81	84,51
(R/m² mined)	417,37	400,73	404,11
(R/kg produced)	25 640	25 125	25 402
Working income (R/t milled)	27,73	22,04	21,25
Gold price received (R/kg)	33 834	31 822	31 615
($/oz)	432	452	448

FINANCIAL RESULTS (R'000)	Quarter ended 30.9.1988	Quarter ended 30.6.1988	9 months ended 30.9.1988
Working revenue	36 668	35 036	104 593
Working costs	27 850	27 740	83 471
Working income	8 818	7 296	21 122
Sundry income—net	873	200	1 055
Tribute and royalties—net	(54)	4	(32)
Income before taxation	9 637	4 302	12 145
Taxation	2 813	802	3 721
Income after taxation	6 824	3 500	8 424
Capital expenditure	28		231
Dividend declared	—	3 432	3 432

DEVELOPMENT	Q 30.9.1988 Reef	Reef	Reef	UE3	Q 30.6.1988 Reef	Reef	Reef	UE3	9 months 30.9.1988 Reef	Reef	Reef	UE3
Advanced (m)	128	1 900	142	236	81	1 786	57	177	263	5 569	346	414
Advanced on reef (m)	62	859	138	88	12	574	33	112	78	1 900	218	200
Sampled (m)	60	647	137	87	12	536	42	90	75	1 863	224	177
Channel width (cm)	113	24	31	226	114	22	18	176	113	22	25	200
Average value—gold (g/t)	2,3	20,3	23,4	0,8	3,0	20,1	13,6	0,8	2,4	19,5	23,0	0,8
(cm.g/t)	263	487	727	189	338	443	217	149	269	429	575	159

REMARKS
- Estimated capital expenditure for the next six months—R1,4 million.
- A total of 24 000 tons (June quarter 26 000 tons) was milled from surface dumps.

Marievale mine

(A division of Marievale Limited)

Mine improves its profits

Issued capital—4 500 000 shares of 25 cents each.

OPERATING RESULTS	Quarter ended 30.9.1988	Quarter ended 30.6.1988	9 months ended 30.9.1988
Mined (m²)	14 355	12 377	40 028
Ore milled (t)	78 000	91 000	249 000
Gold produced (kg)	208	204	607
Yield (g/t)	2,7	2,2	2,4
Working revenue (R/t milled)	89,62	71,43	77,66
Working costs (R/t milled)	82,23	66,11	71,25
(R/m² mined)	446,81	486,06	443,24
(R/kg produced)	30 837	29 490	29 229
Working income (R/t milled)	7,39	5,32	6,41
Gold price received (R/kg)	33 567	31 675	31 779
($/oz)	437	453	451

FINANCIAL RESULTS (R'000)	Quarter ended 30.9.1988	Quarter ended 30.6.1988	9 months ended 30.9.1988
Working revenue	6 990	6 500	19 337
Working costs	6 414	6 016	17 742
Working income	576	484	1 595
Sundry income—net	201	128	404
Income before taxation	777	612	1 999
Taxation	55	54	140
Income after taxation	722	558	1 859
Capital expenditure	89	197	435

DEVELOPMENT	Quarter ended 30.9.1988	Quarter ended 30.6.1988	9 months ended 30.9.1988
Advanced (m)	211	189	676
Advanced on reef (m)	130	115	432
Sampled (m)	131	113	426
Channel width (cm)	83	56	72
Average value—gold (g/t)	5,8	7,3	6,3
(cm.g/t)	479	409	451

REMARKS
- Waste dump milling was discontinued during the quarter.

ORANGE FREE STATE & EVANDER

ST. HELENA Gold Mines Limited

Company Registration No. 05/20743/06

Further improvement in gold production

Issued capital—9 625 000 ordinary shares of R1 each.
—3 825 000 "A" cumulative preference shares of R1 each.
—3 825 000 "B" cumulative preference shares of R1 each.
—2 450 000 "C" cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 30.9.1988	Quarter ended 30.6.1988	9 months ended 30.9.1988
Mined (m²)	118 288	119 657	353 387
Ore milled (t)	520 000	525 000	1 570 000
Gold produced (kg)	2 600	2 467	7 472
Yield (g/t)	5,0	4,7	4,8
Working revenue (R/t milled)	168,01	150,89	151,98
Working costs (R/t milled)	132,76	121,13	123,23
(R/m² mined)	583,62	531,99	547,49
(R/kg produced)	26 557	25 777	25 893
Working income (R/t milled)	35,25	29,76	28,75
Gold price received (R/kg)	33 613	32 047	31 842
($/oz)	429	452	445

FINANCIAL RESULTS (R'000)	Quarter ended 30.9.1988	Quarter ended 30.6.1988	9 months ended 30.9.1988
Working revenue	87 367	79 218	238 611
Working costs	69 047	63 591	193 476
Working income	18 320	15 627	45 135
Sundry income—net	2 449	2 623	7 724
Income before taxation and State's share of income	20 769	18 250	52 859
Taxation and State's share of income	8 676	7 602	19 900
Income after taxation and State's share of income	12 093	10 648	32 959
Capital expenditure	4 162	2 564	11 083
Dividends declared	—	12 894	12 994

DEVELOPMENT	Quarter ended 30.9.1988 Basal Reef	Leader Reef	Quarter ended 30.6.1988 Basal Reef	Leader Reef	9 months ended 30.9.1988 Basal Reef	Leader Reef
Advanced (m)	2 743	247	2 472	353	7 258	870
Advanced on reef (m)	370	198	377	207	1 019	617
Sampled (m)	447	216	392	239	1 233	746
Channel width (cm)	130	185	125	169	123	188
Average value—gold (g/t)	5,5	4,5	8,8	2,4	8,5	3,0
(cm.g/t)	716	824	1 103	401	1 043	584

REMARKS
- Estimated capital expenditure for the next six months—R8,5 million.
- No. 10 Shaft was recommissioned during September and is now operational.

Oryx mine

(A division of St. Helena Gold Mines Limited)

Progress on schedule and first gold poured

All pumps have been installed at the main pump station, giving a pumping capacity of 95 megalitres per day. Water inflow from the old Beisa workings has reduced to 13 megalitres per day. The first phase of the compressor installation has been completed. Surface offices and buildings have been refurbished, and work is progressing on the new Eskom yard and the new No. 1 B ventilation shaft.

Underground development on 4 and 5 Levels towards the sub-vertical shaft positions and the hoist chamber and bank excavations are proceeding satisfactorily. A total of 803 metres of underground development and 4 608 cubic metres of excavation were completed during the quarter. Pre-cementation of both the No. 1 and No. 2 Shaft Systems is progressing satisfactorily.

A faulted, erosional remnant of the Kalkoenkrans Reef was intersected in the No. 1 Subvertical Main Shaft pre-cementation borehole at a depth of 1 535 metres. Exploration borehole 1947 intersected an upfaulted remnant of the Kalkoenkrans Reef at a depth of 1 575 metres, but the anticipated Kalkoenkrans Reef intersection on the underlap of the fold was faulted out at a depth of 1 886 metres. A new exploration borehole (No. 2060) has been started in order to gain further information on the fairly complex structural geology in the initial mining area of the Kalkoenkrans Reef.

Capital expenditure during the quarter amounted to R48,8 million (previous quarter R35,4 million). The programme continues on schedule with a total of R208,7 million committed and with a total of R112,5 million spent to date.

Stoping on the Beisa Reef commenced on schedule during August 1988. A total of 6 652 tons of ore was transported by road to the St. Helena metallurgical plant for processing where 10,8 kilograms of gold were recovered. All income and expenditure relating to this stoping has been capitalised.

UNISEL Gold Mines Limited

Company Registration No. 72/10604/06

Sub-inclined shaft to go ahead

Issued capital—28 000 000 shares of no par value.

OPERATING RESULTS	Quarter ended 30.9.1988	Quarter ended 30.6.1988	Year ended 30.9.1988
Mined (m²)	46 105	42 656	187 450
Ore milled (t)	275 000	262 000	1 127 000
Gold produced (kg)	1 440	1 222	6 118
Yield (g/t)	5,2	4,8	5,4
Working revenue (R/t milled)	178,04	163,74	174,71
Working costs (R/t milled)	100,37	104,65	96,93
(R/m² mined)	598,27	618,68	582,75
(R/kg produced)	19 167	21 581	17 855
Working income (R/t milled)	77,67	59,09	77,78
Gold price received (R/kg)	33 539	31 976	31 264
($/oz)	431	452	450

FINANCIAL RESULTS (R'000)	Quarter ended 30.9.1988	Quarter ended 30.6.1988	Year ended 30.9.1988
Working revenue	48 960	41 263	196 901
Working costs	27 601	26 372	109 237
Working income	21 359	14 891	87 664
Sundry income—net	1 885	1 377	5 586
Milling fee	(1 912)	(1 806)	(7 260)
Income before taxation and State's share of income	21 332	14 462	85 990
Taxation and State's share of income	11 123	7 287	44 731
Income after taxation and State's share of income	10 209	7 175	41 259
Capital expenditure	2 399	1 535	10 384
Dividend declared	14 000	—	32 200

DEVELOPMENT	Q 30.9.1988 Basal Reef	Leader Reef	Middle Reef	Q 30.6.1988 Basal Reef	Leader Reef	Middle Reef	Year 30.9.1988 Basal Reef	Leader Reef	Middle Reef
Advanced (m)	1 552	626	211	1 449	592	146	5 916	2 341	527
Advanced on reef (m)	316	339	164	240	369	139	988	1 383	353
Sampled (m)	303	279	135	171	348	94	875	1 469	272
Channel width (cm)	104	208	115	114	198	83	111	208	102
Average value—gold (g/t)	28,9	2,2	7,4	15,0	3,9	8,3	17,8	3,3	6,9
(cm.g/t)	3 010	464	847	1 709	777	776	1 975	687	682

REMARKS
- Estimated capital expenditure for the next six months—R10 million.
- R26,2 million has been approved for a sub-inclined shaft from 10-12 Levels in the eastern area of the mine. The initial expenditure is included in the capital expenditure figures.

WINKELHAAK Mines Limited

Company Registration No. 55/03608/06

Reef intersected at No. 6 Shaft

Issued capital—12 180 000 shares of R1 each.

OPERATING RESULTS	Quarter ended 30.9.1988	Quarter ended 30.6.1988	Year ended 30.9.1988
Mined (m²)	138 584	139 132	584 212
Ore milled (t)	529 000	539 000	2 162 000
Gold produced (kg)	3 022	3 018	12 058
Yield (g/t)	5,7	5,6	5,6
Working revenue (R/t milled)	196,40	179,22	177,11
Working costs (R/t milled)	112,06	103,64	100,70
(R/m² mined)	427,74	401,51	372,65
(R/kg produced)	19 615	18 510	18 058
Working income (R/t milled)	84,34	75,58	76,41
Gold price received (R/kg)	33 741	31 934	31 539
($/oz)	436	454	456

FINANCIAL RESULTS (R'000)	Quarter ended 30.9.1988	Quarter ended 30.6.1988	Year ended 30.9.1988
Working revenue	103 897	96 598	382 910
Working costs	59 278	55 863	217 708
Working income	44 619	40 735	165 202
Sundry income—net	1 757	841	4 666
Tribute and royalties—net	(161)	(146)	(672)
Income before taxation and State's share of income	46 215	41 430	169 196
Taxation and State's share of income	12 747	10 024	49 012
Income after taxation and State's share of income	33 468	31 406	120 184
Capital expenditure	21 700	23 876	80 410
Dividend declared	17 661	—	38 367

DEVELOPMENT—Kimberley Reef	Quarter ended 30.9.1988	Quarter ended 30.6.1988	Year ended 30.9.1988
Advanced (m)	2 614	2 828	10 736
Advanced on reef (m)	508	510	2 333
Sampled (m)	527	413	2 127
Channel width (cm)	56	68	53
Average value—gold (g/t)	13,9	10,6	20,8
(cm.g/t)	769	724	1 104

REMARKS
- Estimated capital expenditure for the next six months—R49 million.
- At No. 6 Shaft System, Kimberley Reef was intersected on 4, 5 and 6 Levels. The reef values are as expected but faulting is more severe than anticipated. No. 6 Main Shaft is now at 12 Level Station elevation and is progressing satisfactorily and is on schedule.

KINROSS Mines Limited

Company Registration No. 63/08228/06

Go-ahead for two declines

Issued capital—18 000 000 stock units of R1 each.

OPERATING RESULTS	Quarter ended 30.9.1988	Quarter ended 30.6.1988	Year ended 30.9.1988
Mined (m²)	118 678	131 768	507 749
Ore milled (t)	515 000	516 000	2 057 000
Gold produced (kg)	2 934	2 944	11 817
Yield (g/t)	5,7	5,7	5,7
Working revenue (R/t milled)	193,08	179,42	181,16
Working costs (R/t milled)	107,89	101,19	100,30
(R/m² mined)	468,18	396,26	406,36
(R/kg produced)	18 936	17 736	17 460
Working income (R/t milled)	85,19	78,23	80,86
Gold price received (R/kg)	33 702	31 375	31 404
($/oz)	442	452	456

FINANCIAL RESULTS (R'000)	Quarter ended 30.9.1988	Quarter ended 30.6.1988	Year ended 30.9.1988
Working revenue	99 435	92 580	372 651
Working costs	55 558	52 215	206 327
Working income	43 877	40 365	166 324
Sundry income—net	2 268	1 631	6 335
Income before taxation and State's share of income	46 145	41 996	172 659
Taxation and State's share of income	24 663	27 400	101 050
Income after taxation and State's share of income	21 482	14 596	71 609
Capital expenditure	5 436	5 338	20 656
Dividend declared	25 200	—	48 600

DEVELOPMENT—Kimberley Reef	Quarter ended 30.9.1988	Quarter ended 30.6.1988	Year ended 30.9.1988
Advanced (m)	3 638	3 729	14 538
Advanced on reef (m)	1 148	1 262	4 082
Sampled (m)	1 121	1 226	4 040
Channel width (cm)	32	38	38
Average value—gold (g/t)	25,0	16,2	18,8
(cm.g/t)	799	607	723

REMARKS
- Estimated capital expenditure for the next six months—R24 million.
- Two declines to exploit the northern and eastern areas of the mine have been approved at a capital cost of R25 million.

LESLIE Gold Mines Limited

Company Registration No. 59/01124/06

Income after capital expenditure 20% higher

Issued capital—16 000 000 shares of 65 cents each.

OPERATING RESULTS	Quarter ended 30.9.1988	Quarter ended 30.6.1988	Year ended 30.9.1988
Mined (m²)	76 943	70 722	298 491
Ore milled (t)	340 000	336 000	1 383 000
Gold produced (kg)	809	802	3 254
Yield (g/t)	2,4	2,4	2,4
Working revenue (R/t milled)	82,08	75,64	74,67
Working costs (R/t milled)	69,75	66,47	64,57
(R/m² mined)	308,20	314,88	299,24
(R/kg produced)	29 313	27 787	27 444
Working income (R/t milled)	12,33	9,17	10,10
Gold price received (R/kg)	33 694	31 341	31 357
($/oz)	443	451	457

FINANCIAL RESULTS (R'000)	Quarter ended 30.9.1988	Quarter ended 30.6.1988	Year ended 30.9.1988
Working revenue	27 907	25 341	103 271
Working costs	23 714	22 269	89 302
Working income	4 193	3 072	13 969
Sundry income—net	387	307	787
Tribute and royalties—net	(3)	(1)	(9)
Income before taxation and State's share of income	4 577	3 378	14 747
Taxation and State's share of income	1 111	298	2 835
Income after taxation and State's share of income	3 466	3 080	11 912
Capital expenditure	1 166	1 159	4 020
Dividend declared	4 000	—	8 000

DEVELOPMENT—Kimberley Reef	Quarter ended 30.9.1988	Quarter ended 30.6.1988	Year ended 30.9.1988
Advanced (m)	2 019	2 027	8 535
Advanced on reef (m)	408	538	2 072
Sampled (m)	357	497	1 997
Channel width (cm)	21	21	20
Average value—gold (g/t)	21,3	19,5	20,7
(cm.g/t)	448	407	414

REMARKS
- Estimated capital expenditure for the next six months—R1,8 million.

BRACKEN Mines Limited

Company Registration No. 59/01126/06

Limited life at present gold price

Issued capital—14 000 000 shares of 90 cents each.

OPERATING RESULTS	Quarter ended 30.9.1988	Quarter ended 30.6.1988	Year ended 30.9.1988
Mined (m²)	54 873	64 645	224 906
Ore milled (t)	197 000	197 000	842 000
Gold produced (kg)	585	586	2 476
Yield (g/t)	3,0	3,0	2,9
Working revenue (R/t milled)	103,57	92,32	93,29
Working costs (R/t milled)	92,51	87,79	82,58
(R/m² mined)	332,13	316,50	309,15
(R/kg produced)	31 154	29 514	28 082
Working income (R/t milled)	11,06	4,53	10,71
Gold price received (R/kg)	33 953	30 907	31 285
($/oz)	444	448	459

FINANCIAL RESULTS (R'000)	Quarter ended 30.9.1988	Quarter ended 30.6.1988	Year ended 30.9.1988
Working revenue	20 403	18 188	78 550
Working costs	18 225	17 295	69 531
Working income	2 178	893	9 019
Sundry income—net	646	552	1 716
Tribute and royalties—net	7	(13)	(27)
Income before taxation and State's share of income	2 831	1 432	10 708
Taxation and State's share of income	1 259	(143)	3 408
Income after taxation and State's share of income	1 572	1 575	7 300
Capital expenditure	396	279	1 626
Dividend declared	2 100	—	6 300

DEVELOPMENT—Kimberley Reef	Quarter ended 30.9.1988	Quarter ended 30.6.1988	Year ended 30.9.1988
Advanced (m)	625	838	3 031
Advanced on reef (m)	56	235	675
Sampled (m)	108	168	611
Channel width (cm)	46	44	39
Average value—gold (g/t)	8,1	6,2	10,1
(cm.g/t)	374	274	391

REMARKS
- Estimated capital expenditure for the next six months—R1 million.
- At the present gold price, the ore reserves will not sustain current production levels and a planned reduction of operations is anticipated in 1989.

NOTES
1. Development values quoted above represent actual results of sampling. No allowance has been made for any adjustments which may be, or were, necessary when estimating ore reserves.
2. All financial figures are unaudited.
3. The quarterly reports have been approved and signed on behalf of the respective companies by two directors.

Johannesburg, 20 October 1988

Copies are available from the London office

Registered and head office
General Mining Building
6 Hollard Street
Johannesburg 2001

Transfer offices
South Africa:
Central Registrars Limited
154 Market Street
Johannesburg 2001
(PO Box 4844, Johannesburg 2000)

United Kingdom:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

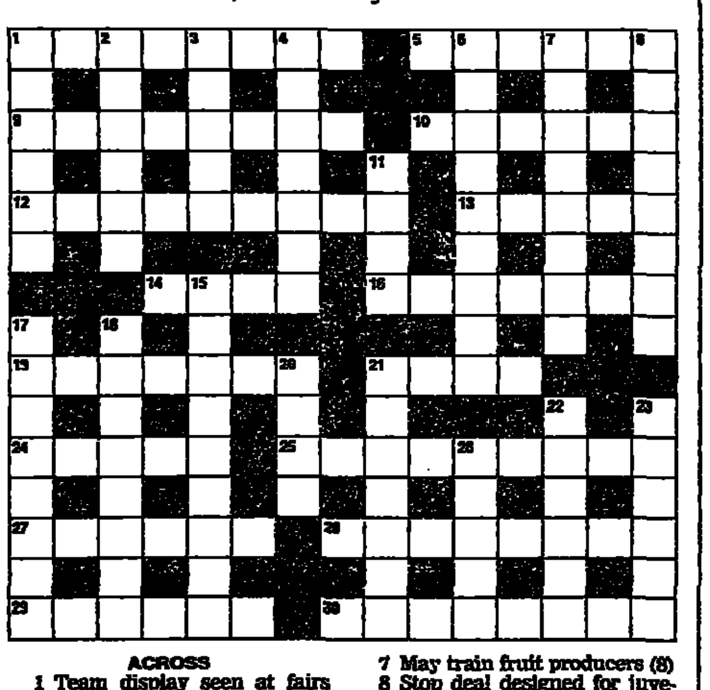
London office and secretaries
Gencor (UK) Limited
30 Ely Place
London EC1N 6UA

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CROSSWORD

No. 6,764 Set by GRIFFIN



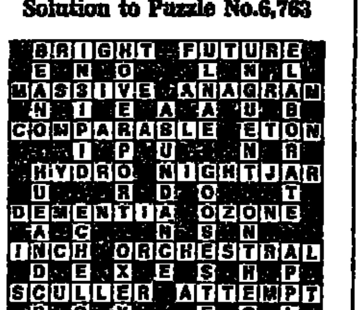
ACROSS

1 Team display seen at fairs (8)
5 Change sides if there's a fault (6)
9 They love Mrs Read, I recollect (8)
10 He'd admit primate is loaded (6)
12 Have dreadful row with chap after tea, daily (9)
13 Around the fifties Coe trained as musician (5)
14 Old copper to have drink (4)
16 Having broken bones engineer admitted being blue (70
19 News of model going crazy in digs (7)
21 Chuck shed (4)
24 Loosen right axle nuts (5)
25 He bills me for coming round to decorate (9)
27 Agreement you say is non-negotiable (6)
28 One French bighead scoffed when victorious (8)
29 Flies but declines to take Lawrence round (6)
30 Pete's worked in less ruined towers (8)

DOWN

1 Sitting awkwardly, can see (6)
2 Humble college fellow accepts me (6)
3 Street fighting upset sucker (5)
4 One of eight involved in a row? (7)
6 Uses cooked rice in Essex Pudding (9)
7 May train fruit producers (8)
8 Stop deal designed for juvenile swimmers (8)
11 Open University don's novel (4)
15 Outside broadcast on Sioux, extraordinarily offensive (9)
17 Trust sad, terribly sentimental feeling (8)
18 Capital Australian girl accepts help (3)
20 Fishpond Street West is round the back of Hove (4)
21 Bill turned in, Bet repaired a cupboard (7)
22 Very good revolutionary lost revolver (6)
23 Suggests tea with Singh; Peregrine objects (6)
26 Are situated, say, in a Belgian city (5)

Solution to Puzzle No.6,763



GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

OTHER UK UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	55.2	58.2	+0.2	-
Stock Market Mgd Fund	52.9	55.7	+0.2	-
Equity Fund	57.3	60.4	+0.2	-
International Fund	49.2	51.8	+0.2	-
European Fund	50.9	53.6	+0.3	-
North American Fund	45.7	48.2	-	-
Pacific Fund	59.2	62.4	+0.4	-
Property Fund	66.4	69.9	-	-
Fixed Interest Fund	53.4	56.3	+0.2	-
Index Linked Sec Fund	53.2	56.1	+0.6	-
Deposit Fund	54.5	57.4	-	-
NUAM Retirement Plans				
Mixed Fund	58.6	61.7	+0.1	-
UK Ordinary Share Fd	66.2	69.6	-0.2	-
International Fund	50.4	53.1	+0.2	-
Property Fund	64.6	68.0	-	-
Fixed Interest Fund	57.3	60.3	+0.1	-
Index Linked Sec Fund	53.9	56.7	+0.4	-
Deposit Fund	58.5	61.6	-	-
NUAM (MF)				
Managed Fund	752.9	792.6	+2.0	-
Equity Fund	1495.4	1574.2	+3.5	-
Property Fund	414.2	436.0	-	-
Fixed Interest Fund	394.9	415.7	+1.9	-
Deposit Fund	223.1	234.9	+0.1	-
International Fund	128.0	134.8	+0.4	-
Index Linked Sec Fund	53.5	56.4	+0.7	-

Norwich Union Life Insurance Soc.
PO Box 149 Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Pensions				
With Profits Fd	106.99	112.62	+0.04	-
Managed Fd	118.34	124.57	+0.03	-
UK Equity Fd	122.41	128.85	-0.23	-
International Fd	119.78	126.08	+0.42	-
European Fd	114.30	120.31	+1.05	-
North American Fd	116.78	122.93	+1.08	-
Pacific Fd	111.72	117.60	+0.06	-
Property Fd	117.49	123.67	+0.01	-

Providence Capital Life Assc. Co Ltd — Contd.

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100⅛	99	Treas. 9½pc '88	99	.....	–	–
102	99	Treas 11½pc 1989	99	+	11.51	11.34
101	98	Treas 9½pc Cnv 1989	99¼	+	9.58	11.19
97½	95	Treas 3pc 1989	97¼	.....	3.09	8.41
102	99	Treas 10½pc 1989	99	+	10.55	11.17
102	98	Exch. 10pc 1989	99¼	.....	10.08	10.98
103	99	Exch 11pc 1989	100	+	10.98	10.74
97	94½	Treas 5pc 1986-89	96	+	5.21	9.24
104	98¼	Exch 10¼pc Cv '89	100	+	10.20	9.746
107½	102¼	Treas 13pc 1990‡‡	103	.....	12.61	10.17
104½	100	Exch 11pc 1990‡‡	101	.....	10.90	10.16
107	102	Exch. 12½pc 1990	102	.....	12.15	10.27
93⅞	90	Treas. 3pc 1990	92¼	–	3.25	8.46
99⅞	95	Treas 8¼pc 1987-90‡‡	97	–	8.48	10.04
102½	95¼	Treas. 8pc Cv 1990 ‡‡	99	–	8.03	8.22
103	98	Treas. 10pc Cv 1990	99¾	.....	10.03	10.14
91	87	Exch 2½pc 1990	89	+	2.80	8.17
107⅝	101	Treas 11¾pc 1991	103	–	11.40	10.14
95	90	Funding 5¾pc '87-91‡‡	92	+	6.23	9.35
90	86	Treas 3pc 1991	88	+	3.40	8.15
105	98	Treas 10pc Cv '91 ‡‡	101	–	9.88	9.48
107	100	Exch 11pc 1991	102	+	10.45	10.06
98	92	Treas. 8pc 1991	94	+	8.47	10.07
113	105	Treas 12¾pc 1992‡‡	107	.....	11.85	9.92
104	98	Treas 10pc 1992	100	+	9.98	9.91
98	92¼	Treas. 8pc 1992 ‡‡	94	+	8.47	9.93
106½	99½	Treas 10½pc Cv 1992‡‡	101	+	10.32	9.92
86	82¼	Treas. 3pc 1992	84	+	3.57	8.14
112	104	Exch. 12¼pc '92	107¼	+	11.43	9.92
117	108	Exch 13½pc 1992	111	+	12.13	9.94
97	91¾	Treas 8¼pc 1993	94	+	8.75	9.86
105	97	Treas 10pc 1993‡‡	100¾	+	9.92	9.77
115	107	Treas 12½pc 1993‡‡	109	+	11.38	9.83
93	87	Funding 6pc 1993‡‡	88¾	–	6.76	8.87
		Five to Fifteen Years				
121	112	Treas 13¾pc 1993‡‡	115	+	11.94	9.90
101	91⅝	Treas. 8½pc 1994	94	+	9.01	9.88
94	91⅝	Treas 8½pc 1994 A	94	+		
125⅝	115	Treas 14½pc 1994‡‡	119	+	12.19	9.85
120	111	Exch 13½pc 1994	114	+	11.77	9.98
105	98	Treas. 10pc Ln. 1994‡‡	100	+	9.91	9.78
116	107	Exch. 12½pc 1994	110	+	11.27	9.97
101	93	Treas 9pc 1994‡‡	96	+	9.29	9.69
114	105	Treas 12pc 1995	109	+	10.98	9.95
83½	78½	Exch 3pc Gas 90-95	82	.....	3.66	6.42
106	98¼	Exch. 10¼pc 1995	102	+	10.06	9.84
120	111	Treas 12¾pc 1995‡‡	114	–	11.14	9.86
126	116	Treas. 14pc '96	120	–	11.63	9.97
101	93¼	Treas. 9pc 1992-96‡‡	97	–	9.28	9.57
133	123	Treas 15¼pc 1996‡‡	127	–	11.94	9.94
123	114	Exch 13¼pc 1996‡‡	117	–	11.23	9.83
105	97	Conversion 10pc 1996	101	–	9.86	9.75
124	115	Treas 13¼pc 1997‡‡	118	–	11.13	9.81
108	100	Exch 10½pc 1997	104	–	10.08	9.74
98	91	Treas 8¾pc 1997‡‡	95	–	9.19	9.56
134	125	Exch 15pc 1997	129	–	11.61	10.00
104	96	Exch. 9¾pc 1998	100	–	9.73	9.69
87	81	Treas 6¾pc 1995-98‡‡	84	+	7.98	9.21
140¼	130	Treas. 15½pc '98‡‡	134	–	11.49	9.89
118	109	Exch. 12pc 1998	114	–	10.53	9.78
103	95	Treas 9½pc 1999‡‡	99	–	9.50	9.49
120	111	Exch. 12¼pc 1999	115	–	10.56	9.76
109	101	Treas. 10½pc 1999	105	–	9.96	9.67
107	99	Conversion 10¼pc 1999	103	–	9.87	9.67
100¼	86	Treas. 8½pc Ln 2000‡‡	93	–	9.10	9.45
99	92¼	Conversion 9pc 2000‡‡	96	–	9.30	9.46
126	117	Treas. 13pc 2000	121	–	10.66	9.80
106	98	Treas 10pc 2001	103	–	9.68	9.53
129	120	Treas. 14pc '98-01	124	–	11.23	9.95
104	97	Conversion 9¾pc 2001	101	–	9.59	9.51
118	109	Exch. 12pc '99-02	113	–	10.54	9.81
107	99	Conversion 10pc 2002	104	–	9.61	9.46
105	97	Treas 9¾pc 2002	102	–	9.53	9.43
99	92	Exch. 9pc 2002	97	–	9.28	9.39
131	122	Treas. 13¾pc 2000-03	126	–	10.89	9.85
108	100¼	Treas 10pc 2003	105	+	9.51	9.35
		Over Fifteen Years				
117	108	Treas. 11½pc 2001-04	113⅝	.....	10.15	9.63
108¼	100	Treas. 10pc 2004	105	+	9.44	9.28
61	54	Funding 3½pc '99-04	59	+	5.88	8.09
104	97	Conversion 9½pc 2004	102	+	9.28	9.22
104	97	Conversion 9½pc 2005	102	+	9.25	9.18
113½	105	Exch. 10½pc 2005	111	+	9.44	9.17

BRITISH FUNDS—Contd

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		Undated				
44	41	Consols 4pc	44	–	8.95	–
40¼	37	War Loan 3½pc‡‡	40	+	8.71	–
62⅝	48	Conv. 3½pc '61 Aft.	62½	–	5.56	–
33	30	Treas. 3pc '66 Aft.	33¼	+	9.06	–
28	26½	Consols 2½pc	28	+	8.93	–
28	26½	Treas. 2½pc	28	+	8.93	–
		Index-Linked				
		(b)			(1)	(2)
123⅝	117½	Treas 2pc IL '90(84.6)	123	+	0.29	2.52
104	99	Do. 2pc '92‡‡(97.8)	104	–	2.17	3.01
96	92½	Do. 2'94 (102.9)	95	–	2.73	3.24
141	127⅝	Do. 2pc '96(67.9)	141	+	2.94	3.31
118	103¾	Do 2½pc '01(78.3)	118	+	3.44	3.70
115	101⅝	Do. 2½pc '03(78.8)	115	+	3.52	3.75
117	102½	Do. 2pc '06(69.5)	116	+	3.58	3.77
110	95	Do. 2½pc '09(78.8)	109	–	3.58	3.76
114¼	99	Do. 2½pc '11(74.6)	113	+	3.60	3.77
94⅞	82	Do. 2½pc '13(89.2)	94½	+	3.58	3.74
102	88	Do. 2½pc '16(81.6)	101	+	3.56	3.71
100	87⅝	Do. 2½pc '20(83.0)	99	+	3.52	3.65
84⅝	73	Do. 2½pc '24‡‡(97.7)	83	.....	3.49	3.61

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1988:103.7 and for September 1988:108.4

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar stays in narrow range

THE DOLLAR moved above its overnight lows in currency markets yesterday, but spent most of the day confined to a narrow range. The mood of the market in London reflected the dollar's earlier performance in the Far East, where it found strong support at Y126.50 but resistance at Y127.50.

Despite the dollar's underlying weakness, investors remain concerned about the possibility of central bank intervention. The US Federal Reserve, in particular, is keen to keep the dollar on a steady path, with the US Presidential election now less than three weeks away. Central banks are thought more likely to intervene if the dollar moves close to Y125.0 or DM1.80.

Against this background, dealers found it hard to justify moving a great deal in either direction yesterday, and the dollar finished at DM1.8110 from DM1.8045 and Y127.30 compared with Y126.65. Elsewhere it finished at FFr6.1825 from FFr6.1575 and SFr1.5300 against SFr1.5245. On Bank of England figures, the dollar's exchange rate index was 96.0 against 96.1.

September US housing starts rose by 1.5 p.c., in line with expectations, and the figure had little effect on trading.

Sterling benefited from the dollar's lacklustre performance, and gained further support - in otherwise featureless trading - from a firmer trend in oil prices. In the absence of any fresh economic data to influence sentiment, investors were attracted by the high yield offered on sterling based instruments, and the Government's determination to bear down on inflation - if necessary - through higher interest rates.

Dealers suggest that having found support around the DM3.16 level, sterling is likely to move into the upper half of its trading range, with resistance only hardening on the approach of DM3.1875.

Sterling closed at DM3.1700, up from DM3.1600 and Y223.00 against Y221.75. Against the dollar, it was barely changed at $1.7510 from $1.7515. Elsewhere it finished at SFr2.6800 from SFr2.6700 and FFr10.8250 from FFr10.7850. Its firmer tone was reflected in the exchange rate index, which rose to 76.6 from 76.4 at the opening and Tuesday's close.

The D-Mark showed little change against the French franc, mainly because of the dollar's subdued nature. The franc derived some benefit from a wider interest differential in its favour, after Monday's quarter point increase in the Bank of France four-week sale and repurchase rate.

But investor confidence is being shaken by a recent spate of labour disputes in France. The French central bank is expected to lend support if the D-Mark moves up to FFr3.4150 by intervening directly in currency markets or pushing up interest rates. Yesterday the D-Mark closed at FFr3.4140.

£ IN NEW YORK

Oct.19	Latest	Previous Close
£ Spot	1.7505-1.7515	1.7470-1.7480
1 month	0.56-0.55pm	0.56-0.53pm
3 months	1.46-1.44pm	1.46-1.42pm
12 months	4.42-4.32pm	4.43-4.35pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

	£	$
Iran	121.70*	68.90*
Korea(Sth)	1232.30-1242.20	705.10-710.90
Kuwait	0.49380-0.49430	0.28170-0.28180
Luxembourg	66.50-66.60	37.95-38.05
Malaysia	4.6950-4.7065	2.6780-2.6800
Mexico	4005.45-4008.35	2284.00-2285.00
N. Zealand	2.8395-2.8445	1.6190-1.6215
Saudi Ar.	6.5745-6.5805	3.7505-3.7515
Singapore	3.5360-3.5425	2.0165-2.0185
S. Af (Cm)	4.2795-4.2905	2.4425-2.4440
S. Af (Fn)	7.0880-7.2340	4.0405-4.1235
Taiwan	50.10-50.35	28.70-28.80
U.A.E.	6.4375-6.4435	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4735	+2.39	+0.86	±1.5344
Danish Krone	7.85212	7.99409	+1.81	+0.28	±1.5404
German D-Mark	2.05853	2.07400	+0.75	-0.78	±1.0981
French Franc	6.90403	7.07961	+2.54	+1.01	±1.3674
Dutch Guilder	2.31943	2.33820	+0.81	-0.72	±1.5012
Irish Punt	0.768411	0.775571	+0.93	-0.60	±1.6684
Italian Lira	1483.58	1545.44	+4.17	+3.23	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts up ahead of money data

LONG GILT futures established a new high in Liffe trading yesterday of 97-29 in the December contract, underpinned by a late improvement in sterling's value. The mood of the market remained bullish ahead of today's release of September money supply figures. The possibility of an increase in monetary growth is to some extent offset because part of any increase would include recent purchases of stock by the Treasury, in itself a bullish factor.

However, some traders are a little more cautious, pointing out that the current level of base rates is likely to be held by the authorities, and the latter are unlikely to entertain lightly any attempt to push cash rates easier. Only three weeks ago, discount houses were invited to borrow funds at 12 p.c., at a time when cash rates were virtually discounting a quarter point cut in base rates.

This more careful approach was better illustrated in the performance of short sterling contracts, less affected by technical factors. The December price was confined to a five tick range for the entire trading session, finishing at 88.33, unchanged from the opening, and barely moved from Tuesday's finish of 88.31.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
92	533	608	1	10
94	336	419	4	21
96	148	247	16	49
98	37	133	105	135
100	10	50	242	252
102	3	23	435	425
104	0	10	632	612

Estimated volume total, Calls 6237 Puts 1900

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
84	602	602	4	40
86	408	431	10	105
88	224	308	25	146
90	104	200	106	238
92	23	113	225	351
94	7	45	409	519
96	3	25	605	663

Estimated volume total, Calls 2145 Puts 1598

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Oct	Calls-settlements Nov	Puts-settlements Oct	Puts-settlements Nov
17000	1720	1730	0	10
17500	1220	1258	0	38
18000	721	835	1	115
18500	268	494	48	274
19000	36	255	316	535
19500	1	113	781	895
20000	0	43	1280	1323

Estimated volume total, Calls 0 Puts 0

LONDON (LIFFE)

CHICAGO

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

BUSINESS LAW

Spycatcher: lessons for everyone

By A.H.Hermann, Legal Correspondent

Unlike the European Convention on Human Rights and most civil law countries, English law does not distinguish between private and commercial secrets on the one hand and state secrets on the other. For this reason, last week's Spycatcher judgment in the House of Lords contains some lessons of general interest which also apply to business matters.

However, as the law protecting confidences is entirely judge made, it is particularly regrettable that the Law Lords, who were unanimous on most issues, disagreed on the important question of whether the person, as well as his agents, who illegally disclosed confidential information, remain bound by that duty and is prevented to publish even after the information ceased to be confidential through his wrongdoing. Four Law Lords concluded that he should remain bound, but Lord Goff's dissent is most persuasive and his arguments are likely to reappear in the future.

The protection of private and state secrets is in the UK a matter of judge made law which also governs the interpretation of contracts and statutes which provide additional safeguards. Such interpretation is not assisted by the absence of agreement among judges and teachers of law about the nature of the duty to keep confidence.

Some treat this duty as an article of faith, calling it "an obligation of conscience", others think that confidential information is simply a valuable property. Insider dealers would probably subscribe to the second definition, but so would those who develop honestly new industrial processes but do not trust the patent law.

The object of the duty of confidence is not entirely clear. Certainly, it includes information which you promised to treat confidentially; or such which was imparted to you in confidence even if you did not volunteer any specific promise to keep it. The duty applies to information which you received from a person whom you know is bound to keep it confidential.

It also applies to information received involuntarily, carried in the wind so to speak, or found in a bundle left in a railway carriage, as long as one can recognise that it is of confidential nature, a fact to which the hapless finder must not deliberately close his eyes. This broad definition of the object of confidence reflects the fact, in the words of Lord Goff, that the public interest in the maintenance of confidences is such that the law provides remedies for their protection.

Though many people are inclined to view confidences as private property and their protection as a matter a civil law, particularly when the confidences arise out of contractual relations and the development of industrial processes, the element of public interest t akes them into the sphere of public law. Therefore, the public interest in the protection of confidences is often opposed by the public interest in information and free press. This all too familiar contradiction can be resolved only pragmatically and not by formal logic. Indeed, the fundamental fault of the Government's case in the Spycatcher trial was that it chose to stick to formal logic.

It argued that the duty of the members of the secret services to keep their secrets is not only endless but also absolute in the sense that it does not depend on actual circumstances and balancing factors and, moreover, that their and their agents' and publishers' duty of silence survives the confidentiality of the information itself.

The five Law Lords found it easy to agree that duty is not absolute and can be voided by a stronger public interest in disclosure. Such a balancing operation will always be a political judgment and, as evident from the speeches Lord Ackner and Lord Templemann made when granting a temporary injunction earlier, often more a matter of the heart than of the head.

Judges balancing the two conflicting public interests will be necessarily influenced by the general approach of the society to secrets and information. In the UK they have to take into account the general presumption of the Official Secrets Act that everything the Government and its servants do or discuss is secret unless exempted - and much the same attitude is taken by individuals when it comes to their private affairs. By contrast, in the US and many other countries the assumption is that all information is free unless classified as secret. There is much to the argument that this US type of approach is indispensable for the operation of a true democracy.

It goes without saying that the balancing operation does not apply only to state secrets. The duty to keep business secrets and confidences can be easily voided by the public interest in disclosure of iniquities: it cannot protect wrongdoers and dishonesty, though mere disagreement with the policy of the board of a public company would hardly be sufficient to outweigh the duty not to disclose its confidential resolutions.

The Law Lords agreed that only disclosure which can cause real damage is prohibited. But Lord Griffiths said, and was not contradicted, that where the secret service is concerned, it would not be practical to draw a line between information which is important and can then cause damage and less important or even trivial information which cannot have a damaging effect. It should not be difficult to draw the line where business interests are concerned, particularly when the possible damage can be expressed in terms of money.

All five Law Lords agreed that courts will not protect information which ceased to be confidential regardless of whether its disclosure was authorised or not. However, four Law Lords were reluctant to give the wrongdoer the benefit of this common sense rule, fearing that it might enable him to profit from his wrongdoing. In reality, there is nothing to stop Peter Wright from making a profit from publications abroad and any profits in the UK could be easily sequestrated.

Nevertheless, the four Law Lords agreed that neither Peter Wright nor his publishers should be allowed to publish Spycatcher in the UK. Lord Griffith went one step further when he said that he would prohibit further serialisation of the book by the Sunday Times because they were "tainted" by having published the first instalment before the book was published in the US.

This attempt to use a prohibition to publish, not to protect a secret already disclosed, but as a "punishment" of those who revealed it, follows the Government's argument that "publication of the book in other countries by or on behalf of Mr Wright does not affect the obligation of confidence owed by Mr Wright and his agents or by third parties". The Sunday Times was in this respect considered to be Peter Wright's agents.

Lord Goff was not convinced by this argument. He thought the rule that a man should not be allowed to profit from his own wrong did not provide a sure guidance in the Spycatcher case. In most commercial cases, the wrongdoer can be deprived of the immoral gain by being obliged to account for his profits or by an award of damages. However, Lord Goff did not know of any past case in which this rule was invoked in order to hold that a person is not released from an obligation by the destruction of the "subject matter" of the obligation, only because the destruction was the result of that persons own wrongdoing. The subject matter is gone: the obligation is therefore also gone: all that is left is the remedy or remedies for the breach of the obligation." It would be absurd to maintain, in strict logic, that the obligation survived and prevents publication or distribution of the book by anyone who knows of its illegal origin.

If Lord Goff's dissenting opinion is, as it seems to me, right, the only way to deprive a wrongdoer safe in Australia or anywhere else abroad for that matter, of his immoral profits, is to sue him not under public law - to which foreign courts will not give effect - but under private law in pursuit of a contractual claim, or of a well defined claim for damages. In the case of civil servants and state secrets it would be advisable to stipulate a contractual penalty, possibly as a multiple of profits from publication. This would, of course, require legislation replacing the present common law of confidence by a statute. And that would be a blessing all round.

With reference to the future serialisation of the book by Sunday Times, which Lord Griffiths opposes, Lord Jauncey of Tullichettle pointed out that it no longer depends solely on a copyright licence. It was inconceivable, he said, that a UK court would protect the copyright of Peter Wright or his publishers. "Anyone can copy Spycatcher in whole or in part". This is unlikely to escape the notice of UK publishers.

MONEY MARKETS

Steadier tone

UK INTEREST rates were left largely unchanged yesterday, as attention switched to today's UK money supply figures for September. The market's rather lacklustre mood was also influenced by the proximity of tonight's Mansion House speech by Mr Nigel Lawson, Chancellor of the Exchequer.

The key three-month interbank rate was quoted all day at 12-11 15/16 p.c., little changed from Tuesday's 12-11⅞ p.c. Overnight money ranged from a high of 12¾ p.c. to a low of 10½ p.c.

UK clearing bank base lending rate 12 per cent from August 25 & 26

The Bank of England forecast a shortage of around £1,250m, with factors affecting the market including repayment of late assistance and bills maturing in official hands, together with a take up of Treasury bills draining £681m, and Exchequer transactions a further £475m. In addition, banks brought forward balances £45m below target, and there was a rise in the note circulation of £125m.

The Bank offered an early round of help, which totalled £170m, and comprised outright purchases of just £10m of eligible bank bills in band 2 at 11 13/16 p.c., and sale and repurchase agreements on £160m of bills at 11 13/16 p.c., unwinding on October 25.

A revision took the forecast to a shortage of around £1,300m, and the Bank gave additional assistance in the morning of £385m through outright purchases of £7m of eligible bank bills in band 1 at 11⅞ p.c., and £21m in band 2 at 11 13/16 p.c.

Additional assistance in the afternoon, on a revised shortage of £1,200m, came to £661m, and comprised purchases of £7m of Treasury bills and £221m of eligible bank bills in band 1. In band 2 it bought £144m of eligible bank bills and £38m in band 3, all at unchanged rates. The Bank also arranged sale and repurchase agreements on £251m of bills on the same terms as the earlier agreements. Late help came to £60m, making a total of £1,276m.

Interest rates in Frankfurt were marked up after the Bundesbank accepted only 15 p.c. of the bids at its sale and repurchase tender. Commercial banks were allocated a total of DM11.7bn, failing to offset a maturing facility of DM12.6bn.

However, there is unlikely to be a squeeze on short-term liquidity this week, as banks are well placed to meet this month's minimum reserve requirements with the Bundesbank.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

مكتبة الأصل

LONDON STOCK EXCHANGE

Special features enliven nervous trade

A RENEWED outburst of speculative activity towards the close of yesterday's session enlivened what had begun as a subdued remembrance of last year's Black Monday shakeout in the London equity market. The undertone remained nervous, as Wall Street abandoned its latest post-Crash highs in early deals and a London broker laid off staff.

Although gains in UK blue chips were modest, leaving the FT-SE index only five points ahead, turnover remained relatively brisk. However, the Seaq volume total of 595.5m shares, against Tuesday's 561.5m, included substantial market-maker business as well as contributions from a number of active speculative features. The final reading on the FT-SE Index showed a net rise of 5.5 points at 1852.5. Major indices in both London and New York are believed to be at significant testing levels at present. In the UK, Footsie 1850 has proved a barrier, and many market analysts are not yet convinced that it has been convincingly broken this time.

The highlight of the session came when the UK Monopolies & Mergers Commission ruled that British Gas had "practised extensive discrimination" in its pricing policies – a significant shock for the market and one which prompted sizeable selling of Gas shares.

Hoare Govett, brokers to British Gas, quickly commenced a downward review of profit forecasts for Gas for the current year and, more drastically, for the year to March 1991. At Nomura Securities, which earlier this year was a substantial buyer of Gas shares for its Japanese retail customers, Christine Baker, analyst in the stock, described the report as "more detrimental to profits than we anticipated".

Consolidated Gold Fields fell sharply as growing apprehension that Minorco's near £3bn offer will also attract the attention of the Monopolies Commission was fuelled by related legal moves in Australia. The shares made no immediate response to the confirmation that the UK Department of Trade and Industry will investigate the extensive dealings in Gold Fields shares and options.

A new speculative feature enlivened the market scene when Abbey Life, a major life assurance group, was suspended, but only after the shares had plummeted on widespread hints in the market of an impending deal with Lloyds Bank.

The mystery over the recent surge in Lonrho deepened as the shares continued to feature in heavy trading, and the Bond Corporation made no comment upon London reports that it has been buying shares in the UK mining and industrial group. Meanwhile, Pleasurama sprang to life, trading very heavily as the deadline for Mecca Leisure's bid was reached.

Account Dealing Dates		
First Dealings		
Oct 3	Oct 17	Oct 31
Option Declarations		
Oct 13	Oct 27	Nov 10
Last Dealings		
Oct 14	Oct 28	Nov 11
Account Day		
Oct 24	Nov 7	Nov 21

"New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Oct 19	Oct 18	Oct 17	Oct 14	Oct 13	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	89.37	89.21	88.88	88.85	88.81	85.47	91.43 (18/4)	86.28 (2/2)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.62	97.52	97.57	97.41	97.57	91.75	98.57 (25/3)	94.14 (5/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1513.2	1509.5	1510.9	1494.0	1487.9	1827.3	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	174.9	178.4	174.1	174.1	175.0	398.8	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.57	4.59	4.59	4.64	4.66	3.97				
Earning Yld % (full)	11.62	11.68	11.67	11.68	11.74	9.72				
P/E Ratio (Net)(*)	10.62	10.48	10.47	10.38	10.32	12.58				
SEAQ Bargains (5pm)	26,195	26,165	26,912	23,589	24,679	103,690				
Equity Turnover (£m)	-	1175.46	1002.63	1275.40	1021.47	2838.13				
Equity Bargains†	-	28,163	28,896	30,334	24,462	108,235				
Shares Traded (ml)†	-	483.1	395.9	506.2	473.5	918.1				

– Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1511.0	1511.6	1512.8	1514.9	1515.5	1516.2	1514.0	1514.2

DAY'S HIGH 1516.5 DAY'S LOW 1511.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 10.44 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Oct 18	Oct 17
Gilt Edged Bargains	122.8	116.0
Equity Bargains	182.4	185.3
Equity Value	2375.9	2025.8
5-Day average		
Gilt Edged Bargains	111.4	111.0
Equity Bargains	174.8	171.2
Equity Value	2273.5	2201.9

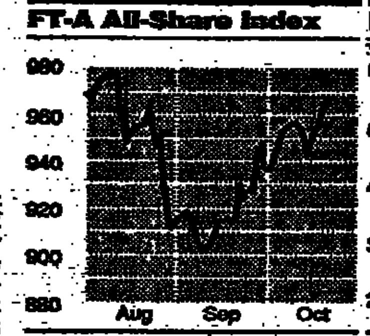
● London Report and latest Share Index: Tel. 0898 123001

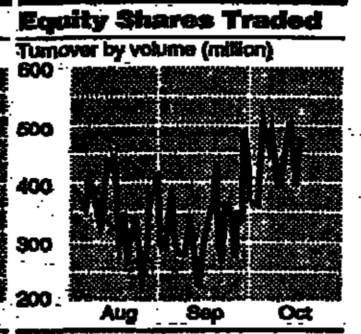
Gas flame reduced by MMC

Recent concerns in the market about the possible outcome of the Monopolies and Merger Commission inquiry into the pricing of gas to large industrial users came home to roost when the MMC report was announced during the early afternoon, bringing with it numerous criticisms of the company.

British Gas shares, bought up to 175p during the morning session, subsequently came under sustained selling pressure after the details of the report were known and fell away to end the day a net 4¼ lower at 169½p, after 168p. Turnover, which barely reached a million shares before lunchtime, erupted after the news and grew rapidly to 19m shares at the close.

Dealers said that the huge selling pressure that accompanied the report had perhaps "been overdone – it didn't look like the end of the world to me, but you can't argue with some of the heavy amounts being offered around today". Numerous big selling orders of 1m-plus flashed across the Seaq screens, although traders reported plenty of buying action in the shares. One deal of 2.5m at 171p emerged soon after the MMC report.





bank analyst at BZW said: "If this is true it looks a very positive deal for Lloyds."

B&C rally again

Speculation of a management buy-out revived as British & Commonwealth (B&C) pulled further away from the year's low point. The close of 10 up at 241p was below the day's highest, but still pleased dealers who reported the heaviest turnover (7.2m shares) in the stock for many months. "Any excuse to reverse the vicious and fast fall from favour this year is good enough," said one. "I hope the recovery continues", he added.

Several investment houses have recently pointed out that B&C is trading at a large discount to its break-up value. Most have concluded negatively because of the sector's prolonged weakness, but earlier this week Smith New Court gave the stock a positive assessment. It told clients, "B&C is now attractive to medium-term investors."

In the clearers NatWest jumped 11 to 560p – "we're waiting for the Japanese selling" dealers said. Royal Bank of Scotland, after the BZW upgrading, moved up 8 to 388p. TSB were keenly sought and rose 2½ to 110½p.

The life sector showed Legal & General 5 higher at 318p after news of the link up with Gloucester & Cheltenham Building Society. Composites, however, were restrained by worries over the latest hurricane in South America.

Brokers were highlighted by CE Heath which raced up late in the day to close 7 firmer at 454p amid market rumours that Italy's Generali may be about to buy the the near 17 per-cent stake in the company held by merchant bank Hambros.

Oil stocks were upset again by the erratic trends in crude oil prices –Brent for November delivery dipped sharply to as low as $12.55 a barrel before rallying late to some $13.15 ba barrel. Both classes of BP, where turnover totalled around 8m, were little changed on the day.

Brewery stocks were dull. Scottish & Newcastle fell 2½ to 392½p in subdued turnover of 4.8m shares. At one stage the shares fell as low as 385p, with one marketmaker reported as an aggressive seller at the 388p level. Bass rose 9 to 798p on institutional interest.

A late whisper that a major bid in the building sector could be in the offing triggered a flurry of buying interest in the market towards the close.

Strong performers included building materials groups Bristock Johnson, 5 up at 180p and Redland 4 better at 440p. Marley, an old takeover favourite in buildings, moved up sharply and settled 5½ firmer at 175½p. BPB hardened 3½ to 255½p. Ahead of forthcoming results Marshalls Halifax jumped 7 more to 245p. Wimpey picked up to close 4 higher at 291p. Countryside leapt 12 to 251p, Barratt Development rose 5 to 177p and Carlsden 18 to 358p. Spring Ram, after a recent visit to the company and talk of a bear squeeze, picked up 5 at 201p.

Ferranti, in the wake of press comment on the possibility of the group winning the Eurofighter radar contract, were finally 2 higher at 100p, with turnover at 13m shares.

Turnover in Plessey and GEC was much smaller than on Tuesday, but remained above average. Some 6.2m GEC changed hands, with the shares finally a penny off at 167½p. Plessey, after turnover of 3.3m, were marginally easier at 168p.

Racal moved up 4 to 311p on a trade of 4.6m ahead of Friday's deadline for holders to apply for RTG shares. STC were persistently supported and settled 3½ to the good at 290½p amid market rumours of imminent profits upgradings.

Dealers noted useful activity in British Telecom which, although little changed at 244p, attracted turnover of approaching 5m; Telecom's second quarter figures are expected next month, with Robert Fleming going for £615m against last time's £567m.

Australian acquisition news boosted Thorn EMI 4 to 670p. The recent batch of company presentations triggered good support for software house Logica, finally up 13 at 383p. Sema advanced a further 7 to 324p after French group Cap Gemini Sogeti revealed it had increased its holding in the companmy to 28.96 per cent.

International stocks were generally better in improved trading. ICI added 9 to 1054p as 1.5m shares changed hands, while Glaxo gained 12¼ to 1114½p (2.8m). Both stocks enjoyed US demand, while there was positive news for Glaxo from a SmithKline meeting for analysts on Tuesday which highlighted the strong performance of Glaxo's anti-ulcer drug Zantac against competitors including SmithKline's own brand Tagamet.

Fisons rose 3½ to 267p after another good volume of 5.5m shares. There was much comment on the results of Fisons's meeting with the FDA in the US last Thursday, with no clear picture emerging. One unsubstantiated report suggested that approval for aerosol pentamidine is now much closer than people have thought, with the little-noticed fact that the FDA has accepted the original 002 trial data as an historic control seen as a major step forward. Analysts agree that approval could be granted towards the end of this year or early in the new year.

Beecham ran into strong selling pressure late in the session and fell 5¼ to 476p in turnover of 3.1m. Rumours that the company was about to launch a rights issue ahead of a major acquisition were behind the selling, but it was subsequently confirmed that Mr Bob Bauman, chairman of Beecham, had spoken to analysts to dampen the speculation. Beecham is believed to have approached institutions over the last few months to canvas the idea of a rights issue, but nothing is currently in the pipeline.

Reckitt & Colman enjoyed a heady run, gaining 25 to 960p, after 966p, in improved turnover of 775,000 shares. Warburg Securities is hosting a presentation for Reckitt today and yesterday rated the shares a strong buy at 935p on its brand strength and on fundamentals. A slight stock shortage helped the price rise yesterday.

Food manufacturers came back into favour, lifted by the bid for Kraft in the US. Cadbury Schweppes rose 8 to 387p. Dalgety improved 9 to 341p, but the best move came from United Biscuits which surged 22 to 308p in active turnover of 6.9m. Bid rumours were sparked off by speculative activity in Nestlé in the Swiss market, which led to vague hopes that a bid might be forthcoming in the UK. Old rumours about the French group, BSN, were also revived.

Nurdin & Peacock rose 7 to 182p on renewed hopes that SHV will launch a bid, while Borthwicks jumped 6 to 62p in reasonable volume amid vague bid speculation.

British Aerospace's rejection as "totally inaccurate and irresponsible" of a recent newspaper article criticising the group over its trading strategy and the Government on land valuations, made little impact on the shares, unchanged at 485p.

Increased mid-term profits supported Hunting Associated Industries but failed to influence Henry Boot which slipped 10 to 388p. Siebe rose 7 to 385p, while demand in restricted markets lifted ASD 35 to 428p and Burndene Investments 12 to 180p. Lodge Care furthered its strong run to end 17 higher at 219p, Cannon St. Investments gained 9 to 263p, Interlink Express 10 to 243p and Arthur Wood the same amount to 172p. But profit-taking brought Chamberlain & Phipps back 8 to 166p and Lawtex weakened late to close 10 down 56p.

Pleasurama closed at 228p, a gain of 4, but this disguised the real action as Barclays de Zoete Wedd again moved in late on to buy shares on behalf of predator Mecca Leisure. BZW was bidding 240p for stock and by the close some 17m shares had gone through the system, indicating that the outcome of the Mecca bid would be a close-run thing. Mecca shares fell 2 to 177p.

Mount Charlotte closed at an all-time high, 13 better at 156p amid rumours that the KIO had passed on its stake, with dealers also pointing out that there was a shortage of stock. Queens Moat rose 4 to 103p, while Stakis climbed 3 to 106p.

T Cowie, the motor distributor, became a target for speculative buyers and rose 6 to a 1988 peak as stories went the rounds again that predators were casting more than casual glances at the company. Kwik-Fit progressed on a late flurry of buying to finish 7 up at 115p.

Polly Peck was checked not only by continuing stories of higher tax charges and impending court action, but also by speculation of fund raising via a rights issue, possibly in order to mount a takeover bid for Borthwicks

Activity in traded options was again at a relatively high level, reaching 40,044 contracts, made up of 30,497 calls and 9,547 puts. The lack of direction in the underlying market expressed itself in combination trading in the FT-SE 100 options contract, with 6,647 calls and 2,565 puts making a total of 9,212. It was noteable for dealings centred on December 1900 calls.

Lonrho attracted calls of 4,416 contracts and puts of 441, and British & Commonwealth calls of 1,923 and puts of 452. GEC remained at centre stage, against the background of demand for the shares in the underlying market, with 2,942 calls traded, largely in the October 140s, against only 128 puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 27

Abbey Life halt

The numerous rumours surrounding life assurance group Abbey Life reached a climax yesterday morning when stories of a tie-up deal with Lloyds Bank whistled around the market.

Abbey Life shares, strongly supported and bought up to 306p on Tuesday amid yet another flurry of takeover speculation, dipped off sharply at the outset and touched 294p prior to being suspended "at the request of the company" around 9.35am. Turnover up to the suspension of the shares totalled 3.9m. A statement from the group is expected today.

The market story went that Lloyds Bank would inject their life assurance, unit trust, fund management and estate agency businesses into Abbey in return for a 29.9 per cent stake in the life group.

Lloyds Bank shares, heavily bought in recent weeks amid various stories of possible stake-building and takeover speculation, continued their advance after the suspension of trading in Abbey and eventually ended the day a net 10 higher at 329p after turnover of 6.5m. Commenting on yesterday's stories, Terry Smith,

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

[illegible]

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (88). BRITISH FUNDS (2) Treas. 9¾pc 1994 "A", Tsy. Loan 12pc 1999 "A" ... [illegible] ... Douglas (Robt. M.), Erith, Marley, Severfield-Reeve, CHEMICALS (8) Akzo, BASF AG, Bayer AG, Chemoxy Intl., Gaynor Group, Hoechst AG, Rechem Envmt, Servo., Schering AG, STORES (1) Smallbone, ELECTRICALS (5) Asto'ted Sec., MTL Instr. Grp., Pilco Hldgs., Pressac, Sema Grp., ENGINEERING (6) A.Cohen, Cook (Wm.), Firth (G.M.), Rendel, Thyssen, Weir Grp., FOODS (3) Appleby Westward Grp., Everest Foods, Nurdin Peacock, HOTELS (1) Mount Charlotte, INDUSTRIALS (18) AMA, ASD, Allied Part., Avdel, Black (P.)Hldgs., ... [illegible] ... (2) Norton Opax, Usher Walker, PROPERTY (3) Brixton Estate, Merivale Moore, Trafford Park, TRUSTS (26) MINES (1) Anglesey Mining.

NEW LOWS (11). FOODS (2) Acatos & Hutcheson, Sims Food Grp., INDUSTRIALS (2) J.S. Pathology, Lawtex, MOTORS (1) Spice, SHOES (1) Headlam Sims, TRUSTS (1) Child Health Wrrnts., OILS (1) Sandpiper Oil, MINES (2) Bottle Mining, Essex Int., THIRD MARKET (1) Far East Res.

APPOINTMENTS

Senior post at Midland Bank

■ Mr Chris Thom, regional director of MIDLAND BANK's East Anglian region, has been appointed payment operations director, UK banking. Mr John Holloway, area manager, Enfield, has been appointed regional director, East Anglia, in his place.

■ Sir Peter Walker-Okeover has become a non-executive director of the TARMAC housing division.

■ RKF GROUP has appointed Mr Richard Heron to the board. He is chairman of E.T. Heron & Co, the printing group acquired by RKF in September.

■ Mr Michael Leddy has become financial and commercial director of the EDWARD ROSE GROUP, part of Wagon Industrial Holdings.

■ Mr R.D. Pike has joined the board of QUADRANT GROUP. He was previously with J.J. Silber, a subsidiary of Great Universal Stores.

■ TOMKINSONS, the carpet manufacturer, has appointed Mr Michael A. Hield as its operations director.

■ Mr John Cameron has joined KLEINWORT BENSON as a director in international

Mr Michael Jenkin, senior vice president and secretary for GRE of America Corp, has become an assistant general manager at GUARDIAN ROYAL EXCHANGE and will be its chief compliance officer.

corporate finance covering the UK. He was an executive director at County NatWest in charge of UK business development.

■ ST ALBANS RUBBER, producer of engineered cellular polymers, has appointed Mr Albert F. Rose its managing director. He was formerly director and general manager. Also joining the board are Mr David C.R. Bickle, financial director, and Mr Paul W. Gisbourne, production director.

■ Mr D.G. Welchman has become director of public affairs for INTERNATIONAL DISTILLERS AND VINTNERS. He was director of public affairs at Grand Metropolitan Brewing.

■ ROBERT FLEMING & CO has appointed Mr Michael Ladenburg as a director of corporate finance from October 31. He is a director of J. Henry Schroder Wagg and Co.

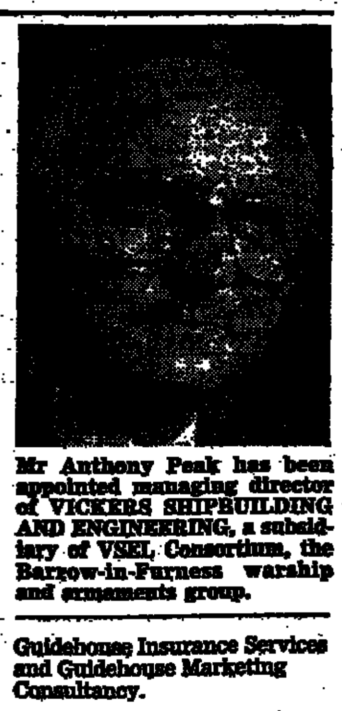
■ WYLEX, the Manchester-based electrical switchgear manufacturer, has made Mr Christopher Fitzpatrick its managing director. He joins from Victor Products where he was managing director.

■ YORK TRUST has appointed Mr Neil Milne executive director with responsibility for corporate finance. Mr Radwan M. Termanini becomes non-executive director. He is general manager, Arabian General Investment Corporation.

■ Mr W.R. Berkley has joined the board of LEP GROUP following the acquisition of the National Guardian Corporation. He is chairman of National Guardian Corporation and W.R. Berkley Corporation.

■ PAYNES OF NOTTINGHAM has made Mr Mike Jewell its marketing director and Mr Brian Dent production director.

■ At the GUIDEHOUSE GROUP Mr Anthony Croasdale has joined Mr Andrew Cadge as joint managing director of Guidehouse Insurance Services and Guidehouse Marketing Consultancy.



Mr Anthony Peak has been appointed managing director of VICKERS SHIPBUILDING AND ENGINEERING, a subsidiary of VSEL Consortium, the Barrow-in-Furness warship and armaments group.

■ Mr P.J. Bayfield, Mr D.M. Menzies and Mr J.E.F. Voller have become directors of C.T. BOWRING REINSURANCE.

■ Mr John Parkinson, formerly AUSTIN ROVER's director of fleet operations, has been appointed UK sales director.

■ Mr Duncan Paterson has been appointed director of finance and administration for COUNTY NATWEST INVESTMENT MANAGEMENT.

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
27¼	22¾	Texas Instr. $1	23⅝xd	+⅛	72c	–	1.8
70⅞	43¼	Time Inc. $1	67⅞xd	+1½	$1.00	–	0.9
21½	15⅞	Transamerica $1	20⅛xd	.....	$1.84	–	5.4
20¼	14½	TRINOVA Corp.	15¼xd	+⅛	64c	–	2.4
19	15¼	USX $1	16	+⅛	$1.20	–	4.4
24⅞	17⅝	Utd. Technologies	23⅛xd	.....	$1.60	–	4.0
34⅝	26¼	US West‡	32¼	–⅛	$3.52	–	6.3
24⅞	16⅞	Waste Management $1	24⅛	+⅛	48c	–	1.2
16⅞	12⅞	Whirlpool $1	15	+⅛	$1.10	–	4.3
33⅛	18¼	♦Woolworth $3½	32⅝	+⅜	$1.64	–	3.0

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- "Tap Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- Interim since increased or resumed
- Interim since reduced, passed or deferred
- Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Dealt in under Rule 535(3).
- Price at time of suspension
- Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress
- Not comparable
- Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- No par value

B.Fr. Belgian Francs. Fr. French Francs. Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.......y	71	......
Craig & Rose £1...y	698	......
Finlay Pkg. 5p.....y	65	−1
Holt (Jos) 25p.....y	£11½	......

IRISH

Cap. 8½% Ln. 1997...	£99½	+½
9pc Cap Ln. 1996...	£102½	+¼
Fin. 13% 97/02...	£123¼	+1½

Arnotts.......y	395	......
Carroll Inds.......y	165	+2
Grafton Grp.......y	140	......
Hall (R. & H.)......	135	......
Heiton Hldgs.......y	69	+1
Irish Ropes.......y	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

Hanson	12
Hawker Sidd.	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen.	25
Lex Service	33
Lloyds Bank	26
Lucas Inds.	50
Marks & Spencer	17
Midland Bk.	37
Morgan Grenfell	30

Property

Oils

Burmah Oil	58
Charterhall	3
LASMO	40
Premier	7½
Shell	45
Ultramar	26

Mines

Cons Gold	95
Lonrho	28
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

COMMODITIES AND AGRICULTURE

Copper and zinc scale fresh peaks

By Kenneth Gooding, Mining Correspondent

COPPER AND zinc prices on the London Metal Exchange yesterday moved to record levels amid growing concern about the impact of the miners' strike in Peru.

That country supplies about 5 per cent of the copper mined in the non-Communist world and about 10 per cent of the zinc.

Mr John Harris, an analyst with London-based metal trader Rudolf Wolff, pointed out: "This is the third major strike in Peru this year and there is considerable worry that this might be the big one.

"The Peruvian mining industry is already in a sorry state because of the lack of funds to buy new equipment and this will do even more harm."

The strike is taking place against a background of high demand and tight supplies for both metals.

Copper prices yesterday jumped above the peaks reached in January with grade A metal for delivery in three months rising £52 to £1,632.50 a tonne. Copper for immediate delivery advanced by £85 to £1,746 a tonne.

Mr Harris suggested there was probably a great deal of shortcovering (traders buying to cover earlier short sales) yesterday which boosted the price substantially. So there might be a correction, perhaps as much as £150 a tonne for three-months copper.

The turmoil in the market comes at a difficult time for the industry because the so-called mating season – when producers and consumers discuss details of their new long-term contracts – is just getting under way.

However, even without the Peruvian factor prices would have been high, fueled by strong demand for copper from Japan and the US and moderate demand in Europe.

The New York Commodity Exchange (Comex) has been reflecting conditions in the US and its stocks fell again yesterday by another 239 tonnes to 10,569 tonnes.

Mr Harris suggested there would be further falls in Comex stocks and this might encourage movement of copper from Europe to the US with consequent implications for the LME stocks and prices.

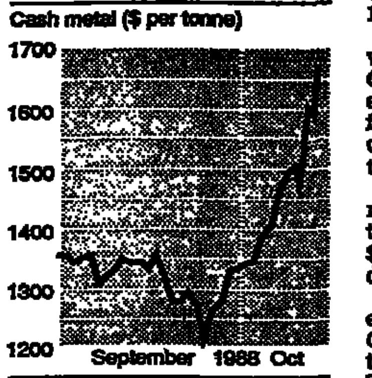
High grade zinc established a new record during LME ring trading yesterday and touched $1,582 a tonne for metal to be delivered in three months.

At the close the price had eased back to $1,524.50, up $59. Cash zinc closed at $1,672.50 a tonne, $77.50 ahead of Tuesday's close.

Traders pointed out that the Peruvian strike had come at a time when physical demand for zinc was building up back to the high levels seen earlier this year and when stocks were low.

Zinc

Cash metal ($ per tonne)



Peruvian miners' strike spreading slowly

By Veronica Baruffati in Lima

PERU'S THREE-day-old miners' strike is spreading slowly and deliveries have not yet been affected.

Miners from Cobriza, the state-owned copper mine, joined in on Tuesday bringing the percentage of miners on strike up from 47 to 49 per cent.

An official of Southern Peru Copper Corporation, the country's largest producer, said that the 3,860 miners at the Toquepala, Cuajone and Ilo mines had all downed tools.

Deliveries however would not be affected for another week and there were no plans yet to declare *force majeure* the official went on to say.

A representative of the National Federation of Mining, Metallurgical and Steel Workers claimed, meanwhile, that the Government had not fulfilled its part of the agreement which ended the month-long strike in August, which cost the country over $140m in lost production.

The miners' demand included a substantial pay rise, wages to be indexed to inflation, which was running at a record annualised rate of 114.1 per cent in September, a six-hour working day and early retirement.

Mr Armando Villanueva del Campo, the Prime Minister, was due to meet miners' representatives yesterday to try to reach an agreement to end the strike, which Peru can ill-afford.

The National Mining Society has taken legal action to have the miners' strike declared illegal.

Traditionally in Peru, mining companies have dealt with their own miners' unions on a one to one basis. The miners' strike last July and August was the first occassion on which the miners went on strike nationwide. The move succeeded in procuring the Government's recognition of their national demands.

Mining companies complain that they now have to deal with two unions, both on a local and a national level, whose demands are often duplicated and superimposed.

Two miners were assassinated by hooded Sendero Luminoso terrorists in the Centromin mine of La Oroya early on Tuesday after a petrol tank had been blown up there on Monday night. On Sunday a miners' union representative in Morococha, was assassinated on the eve of the strike. Five others have received death threats.

There is increasing fear in Lima that Peru is heading towards economic collapse, and that the wave of strikes affecting the country today, combined with increasing terrorism, will accelerate this process.

A team of 40 politically independent economists is reported to be working frantically to draw up an economic programme before the arrival of representatives from the international financial community scheduled for the end of October. This team has received the full support of Mr Abel Salinas, the Finance Minister, and Mr Villanueva del Campo.

It remains to be seen whether the economic plan will be given the go-ahead from above.

Rain poses coffee problems for Nicaragua

By Tim Coone in Managua

For Nicaragua's coffee growers, it never rains but it pours.

A prolonged rainy season has brought the promise of a good harvest this year, but at the same time has produced an early ripening of the beans and fears of a labour shortage, and washed out many of the mountain roads along which the coffee has to be brought to depulping and drying plants.

Nicaragua traditionally produces about 2 per cent of the world's arabica coffee, but over the past three years has seen its output fall under the combined effects of a severe economic crisis, the guerrilla war disrupting the main growing zones, and perennial problems of obtaining sufficient labour to pick the beans.

Last year production declined to 870,000 bags (60 kg each) from a historic peak in 1982-83 of 1.5m bags, and although hopes have been raised for an output boost of 150,000 bags this year, those hopes may yet be dashed because of the early harvest and inadequate preparation.

The harvest has been brought forward by almost a month this year and started officially last week. Each year brigades of teenage school children and university students flood to the mountains to boost numbers up to the estimated 100,000 needed to bring in the harvest over a three-month period. The brigades will not be available until the end of the school term next month, however, and it is thought the Government might even decide to suspend classes in order to save the harvest, which is Nicaragua's most important foreign exchange earner.

According to Mr Francisco Berrios, a representative of the small farmers' organisation, Unag, in the coffee town of Jinotega, "there is a danger that the beans will start falling from the bushes soon if we do not have enough pickers."

Rains are continuing throughout the country, and many of the "beneficios" – the processing plants which depulp and then sun-dry the beans, are still unable to operate because of the rain. Quality of this year's crop may therefore be affected if the rains do not ease up soon.

Another threat to crop quality is the deteriorated state of the roads in the provinces of Jinotega and Matagalpa, over which 60-70 per cent of the country's coffee output has to travel. Although most are still passable, the delays involved in travelling over the deeply rutted roads are likely to create transport bottlenecks. Delays in getting the picked beans to the depulping and drying plants can cause their fermentation and hence a loss of quality.

Meanwhile, the deep economic crisis affecting the country, has created shortages of machinery and spare parts, adversely affecting the availability of both transport and of earthmoving machinery to repair the roads.

High price seen hitting aluminium demand

By Kenneth Gooding

ALUMINIUM'S competitive position against most other materials "now looks dreadful" because of its high price and the effect may linger for some time, suggests Anthony Bird Associates, the consultancy group, in its latest report.

Consquently, Bird expects annual growth in aluminium consumption to fall from 5.6 per cent last year to less than 1 per cent in 1988 and for there to be little change in 1989.

There could be a renewed acceleration in consumption in 1990 or early 1991 because aluminium's price has fallen from the "outrageous" levels during the second quarter of this year while the price of many competing materials has begun to rise.

Bird predicts that production capacity utilisation rates will remain "reasonably high" and well above 90 per cent to 1990 and, when demand picks up, "smelters will once again have to work *hard* to keep up."

The group repeats its previous warnings that there is an urgent need for investment in new capacity and insists fewer smelters are being planned than will be needed.

"On the basis of current plans, 16.6m tonnes of capacity are likely to be in place by 1996 – still not quite enough."

Bird suggests aluminium prices could dip from the current $1 a lb level to 62 cents to 70 cents a lb by late-1989, depending on the exchange rate assumptions made, before rising quite strongly again in 1990 and early 1991.

"Aluminium Analysis" quarterly from Bird Associates, 198 Richmond Road, Kingston upon Thames, Surrey KT2 5DD, UK. £360 a year.

Canada faces aphic invasion

By David Owen in Toronto

CANADIAN CEREAL farmers, still dusting themselves down after this summer's serious drought, are bracing themselves to cope with a new threat: an invasion of Russian wheat aphids.

The green spindle-shaped pest has spread rapidly through southern Alberta, having migrated into the province from Montana in July. The aphids, which are also a problem as far afield as southern Africa, were first identified in Mexico in 1989.

While crop damage in Canada has to date been relatively minor, the aphids are estimated to have caused some $50m worth of damage to US crops over the past two years.

High-tech breeders strike it rich in ram market

Chris Sherwell explains why records are being shattered in Australian sale rings

A BREATHTAKING world record price of A$330,000 (£150,000) was paid in Australia yesterday for a merino ram, utterly eclipsing the previous record of A$215,000 set last year.

The buyer was Mr Mike Gore, a colourful businessman from Queensland, and the ram came from Collinsville stud, north of Adelaide, which also produced the previous record-setter.

The transaction unfolded at an auction held in Dubbo, New South Wales, one of four major ram sales held around the country each year.

Yesterday's price, which exceeded most expectations, confirms that a quantum leap has occurred recently in ram values as a result of new breeding techniques.

These techniques, developed principally at Collinsville by Mr Neil Garnett and Mr Peter Veitch, involve the use of artificial breeding technology alongside traditional methods.

The result is that rams are now valued mainly for the semen they can produce, which can be kept in frozen form over a long period and, through in vitro fertilisation, produce larger numbers of progeny.

The scale of the record is nevertheless a surprise, since Collinsville recently imposed a condition under which it insisted on receiving half the net proceeds of the future semen sales from its rams.

THATCHER IS a high performer, has good structure and fine fibre. So does Reagan. Unlike the politicians, however, they are selected, not elected. For they are rams. And thanks to modern breeding technology, their prowess will surely outlast them.

Home is a green paddock at Collinsville stud, outside the old South Australian mining centre of Burra. Just as the town's copper brought fame in the 1850s, Collinsville's Merino sheep are rekindling its reputation.

The stud is not the country's largest in terms of ram sales. That title goes to Mr Rupert Murdoch's Boonoke property in New South Wales. But when it comes to prices, Collinsville takes some beating.

The astonishing figures its stock can command in the sale ring are partly a product of the extraordinarily vigorous world wool market, where prices have reached unheard-of levels over the past year. Wool has regained its once-customary status as Australia's number one export, earning A$6bn (£2.7bn) last year, and the country is once again "riding on the sheep's back."

The ram prices also reflect Collinsville's long and close association with the ancient and mystical Australia art of sheep breeding. Some 48 per cent of Australia's total flock of 150m-odd sheep are genetically connected with Collinsville.

But there is a third important reason for the remarkable trend in Collinsville ram prices. This is the fact that, three years ago, it fell into the hands of Mr Neil Garnett, from a Western Australian sheep breeding family. He says it was "like a mouse biting an elephant." He is estimated to have paid A$16m for the place and spent another A$5m on it since.

It is his quick introduction of new techniques to Australian sheep breeding which has changed the face of the market. In the process he has antagonised the traditionalists by debunking some of their mythology and methods. And he has provoked a huge row over the export of rams and ram semen to other wool-producing countries.

In technical terms, what he is doing is adapting the methods of artificial insemination and embryo transfer long known by cattle and horse breeders.

The techniques involve obtaining the semen of selected rams, synchronising the fertility cycles of hundreds of ewes, injecting the semen into eggs of selected ewes through in vitro fertilisation, flushing the new embryos from the uterus, and transferring them to surrogate ewes.

Further revolutionary changes are on the way. New techniques which allow the multiple splitting of embryos at an early stage are also being developed, so that particular desired traits, as shown through extensive progeny testing, can be replicated. And there is talk of "sexing" embryos.

Thus, where before a ram could sire 300 lambs in its lifetime, now it might be 30,000, continuing long after its death. Not only that. It is also becoming possible to repeat almost infinitely the crossing of a particular ram's semen and ewe's egg.

The value in all this is plainly considerable. What is more, it is directly realisable through the ram auctions and semen sales.

Indeed, the principal reason for the rise in ram prices over the past three years is the value of semen. A ram can deliver enough in a single year for up to 30,000 doses, making it possible for a buyer to recover his costs quickly.

The trouble is, it is an international market, and that has meant the revival of an old and fierce argument about ram exports in which passions run extremely high. The issue is simple: is Australia undermining the future of its wool industry by exporting its very heritage? Or should it move quickly to dominate a worldwide market worth an estimated A$500m?

Back in 1929, when the Australian Government slapped a ban on all ram exports, the answer seemed clear. Then in 1970 the ban was partly relaxed, and the Government allowed the export of 500 rams a year. Now the question is whether there should also be restrictions on semen, which at present can be freely exported, at no curbs at all.

The industry's establishment is opposed to the export of genetic material, but somewhat inconsistently is not campaigning for tighter restrictions on ram exports.

The argument is that the Soviet Union and China, which have similar-sized flocks to Australia's, and other producers like Argentina, should not be offered Australia's hard-won genetic material for the sake of a few million dollars.

Mr Garnett takes the opposite view. Fundamentally he is against any restrictions, but says that if some are demanded, they should be on semen, not rams, and should include ewes as well.

His case for unfettered trade is simple. Modern techniques mean a breeder can now achieve in a few years what used to take more than a hundred. So, he says, any country which wants a wool industry can have one, with or without Australia.

Finally, no other country can produce the same quality of wool as Australia because no other country has the environment and climate Australia's sheep areas enjoy.

It is a battle he stands a good chance of winning. In July Mr John Kerin, the Minister of Primary Industries and Energy, showed his inclinations by suggesting that Australia could no longer afford trade restrictions on merinos and supporting the export of male embryos.

If the existing curbs are removed, it will mean Australia can export to the world its own versions of Thatcher and Reagan – courtesy of studs like Collinsville.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices eased yesterday in light trading. Dealers said the market fell largely because of a lack of support rather than any aggressive selling. They are waiting to see if a rise in the International Coffee Organisation total export quota will be triggered next week. However, it looks increasingly likely that the indicator price will fall this week below 114.40 cents a lb – the level necessary for more coffee to be released. Dealers said roasters were buying hand-to-mouth until the quota increase situation was clarified. This is partly responsible for the lack of support in futures. If no quota increase is forthcoming next week, traders speculated that the market might rally to draw out more coffee under the complicated quota system. Cocoa prices closed virtually unchanged after reaching six-week highs earlier.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$11.50-1.60x	+0.50
Brent Blend	$13.25-3.35z	+0.42
W.T.I. (1 pm est)	$15.17-5.20x	+0.51
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$172-175	+1.5
Gas Oil	$123-124	+3
Heavy Fuel Oil	$64-66	+1
Naphtha	$138-140	+3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$411.0	-0.75
Silver (per troy oz)♣	635c	-3
Platinum (per troy oz)	$558.50	-1.75
Palladium (per troy oz)	$133.25	
Aluminium (free market)	$2337.5	[illegible]
Copper (US Producer)	138¾-45¾c	+4¼
Lead (US Producer)	39c	
Nickel (free market)	[illegible]	-5
Tin (European free market)	£4235	-17.5
Tin (Kuala Lumpur market)	19.69r	+0.06
Tin (New York)	343.5c	
Zinc (Euro. Prod. Price)	$1437.5	
Zinc (US Prime Western)	70¾c	
Cattle (live weight)†	107.09p	+0.11*
Sheep (dead weight)†	138.21p	-8.32*
Pigs (live weight)†	73.89p	+0.30*
London daily sugar (raw)	$233.0w	-2.6
London daily sugar (white)	$264.0w	+1.0
Tate and Lyle export price	£259.0	-2.0
Barley (English feed)	£111v	
Maize (US No. 3 yellow)	£128.5v	
Wheat (US Dark Northern)	£119.0v	-1.5
Rubber (spot)♥	59.50p	+1.50
Rubber (Nov)♥	64.75p	+1.50
Rubber (Dec)♥	65.25p	+1.50
Rubber (KL RSS No 1 Nov)	260.5m	+3.0
Coconut oil (Philippines)§	$585w	
Palm Oil (Malaysian)§	$432.5u	
Copra (Philippines)§	$380	
Soyabeans (US)	$193	
Cotton "A" index	57.55c	-0.75
Wooltops (64s Super)	572p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov. x-Dec. w-Nov/Dec. v-Oct/Dec. u-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♣London physical market. §CIF Rotterdam. ♠ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Dec	789	796	821	796
Mar	787	795	823	795
May	805	804	831	805
Jul	815	813	836	813
Sep	830	827	850	830
Dec	850	846	870	[illegible]
Mar	865	860		

Turnover: 7660 (5082) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Oct 19: 1014.05 (1016.16); 10 day average for Oct 20: 997.27 (992.25).

COFFEE £/tonne

	Close	Previous	High/Low	
Nov	1133	1145	1150	1131
Jan	1132	1144	1142	1125
Mar	1124	1134	1132	1120
May	1124	1130	1130	1118
Jly	1122	1130	1131	1118
Sep	1127	1132	1120	
Nov	1130	1130	1115	

Turnover: 2861 (2745) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Oct 18: Comp. daily 113.57 (113.69); 15 day average 114.65 (115.00).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	231.00	230.00	231.00	
Mar	219.60	220.40	221.60	217.00
May	215.00	216.20	217.00	213.00
Aug	211.80	211.60	212.00	210.60
Oct	209.40	209.00	210.00	207.00
Dec	205.00	[illegible]	206.00	204.00
White	**Close**	**Previous**	**High/Low**	
Dec	263.00	262.00	262.00	260.00
Mar	262.60	264.00	265.00	260.10
May	261.60	262.00	263.00	[illegible]
Aug	261.60	262.00	262.00	[illegible]
Oct	250.00	250.00	252.00	[illegible]

Turnover: Raw 2963 (4680) lots of 50 tonnes. White 1062 (972). Paris- White (FFr per tonne): Dec 1635, Mar 1576, May 1560, Aug 1565, Oct 1550, Dec 1550.

GAS OIL $/tonne

	Close	Previous	High/Low	
Nov	122.75	120.50	122.75	117.00
Dec	124.50	122.50	124.50	119.50
Jan	125.75	123.75	125.50	121.00
Feb	125.25	122.50	125.50	121.75
Mar	118.00	120.00	118.00	117.25
Apr	115.00	[illegible]	115.00	
Jun	116.00	116.50	116.50	116.00

Turnover 9957 (7249) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Nov	105.55	105.60	105.55	105.05
Jan	110.15	109.60	110.15	109.65
Mar	113.00	112.60	113.00	112.60
May	115.85	115.60	115.85	115.50
Barley	**Close**	**Previous**	**High/Low**	
Nov	104.50	105.00	105.00	104.50
Jan	108.70	108.70	108.70	108.65
Mar	110.65	110.60	[illegible]	[illegible]
May	112.55	112.60	112.55	[illegible]

Turnover: Wheat 303 (701), Barley 377 (227). Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 14,050 tonne
Cash	2395-405	2310-20		2405-15		
3 months	2245-50	2205-10	2265/2220	2255-60	2220-5	16,225 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 5,550 tonne
Cash	1310-20	1260-60	1338/1335	1335-7		
Dec. 21	1265-65	1225-45	1275	1275-8		28,668 lots
Copper, Grade A (£ per tonne)						Ring turnover 42,625 tonne
Cash	1745-7	1660-2	1732/1720	1723-4		
3 months	1632-3	1570-1	1642/1622	1621-2	1635-7	61,460 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1660-90	1590-60		1660-70		
Jan. 4	1615-25	1540-50		1605-15		62 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	630-3	633-5		630-2		
3 months	643-6	648-9		644-5		431 lots
Lead (£ per tonne)						Ring turnover 13,600 tonne
Cash	369-71	371.5-2.5		369-9.5		
3 months	373-4	374-4.5	376/373	372-5	374.5-5	10,061 lots
Nickel ($ per tonne)						Ring turnover 600 tonne
Cash	11400-600	11300-400	11600/11400	11400-600		
3 months	10600-50	10450-500	10800/10550	10575-600	10600-700	5,540 lots
Zinc ($ per tonne)						Ring turnover 15,750 tonne
Cash	1670-5	1590-600	1700/1665	1665-700		
3 months	1524-6	1464-7	1539/1475	1530-5	1515-8	16,465 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	60.0	60.0		
Feb	71.0	71.0		
Apr	97.9	94.4	98.0	95.0
May	106.0	105.0		

Turnover 532 (129) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Oct	182.50		182.50	
Dec	175.50	176.00	177.00	175.50
Feb	182.50	183.50	182.00	
Apr	181.50		181.50	

Turnover 51 (62) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Oct	1343	1343	1343	1335
Nov	1410	1416	1410	1394
Jan	1468	1474	1470	1460
Apr	[illegible]	[illegible]	[illegible]	
Jul	1300	1319	1310	1300
BFI	1317	1316		

Turnover 296 (151)

> **WOOL**
>
> THE WOOL MARKET began to show signs of softness late last week, and modest declines are the norm at this week's wool sales. The reversal was not generally expected, although with offerings approaching a seasonal high there is always a little more chance of softness at this time of year. No special reasons are suggested for slacker competition. Bradford prices are consequently a little lower and buying interest which did develop usefully last week has ebbed again. The industry here is reasonably placed for activity and deliveries, however, and while the textile outlook is viewed with caution, some of the immediate tendencies have been removed. Top prices are 660 p/kg. for 64s super and 460 for 58s super.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	410¼-411¼	234½-235
Opening	411½-412¼	235-235½
Morning fix	410.60	234.745
Afternoon fix	411.75	234.464
Day's high	411¾-412¼	
Day's low	409½-410	
Coins	**$ price**	**£ equivalent**
Mapleleaf	423-428	241-244
Britannia	423-428	241-244
US Eagle	423-428	241-244
Angel	421½-426½	240¼-243
Krugerrand	410-413	234-236
New Sov.	95½-97½	55-55½
Old Sov.	95½-97½	55-55½
Noble Plat	553.5-560.3	316.15-319.80
Silver fix	**p/fine oz**	**US cts equiv**
Spot	361.25	632.15
3 months	372.20	646.95
6 months	382.45	660.30
12 months	402.85	687.55

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
2200	182	166	25	[illegible]
2300	113	141	53	[illegible]
2400	63	104	109	[illegible]
Copper (Grade A)	**Calls**		**Puts**	
1500	253	241	21	[illegible]
1600	145	175	61	[illegible]
1700	71	124	136	[illegible]

US MARKETS

IN THE METAL markets, prices were firm for the most of the day as a rally in crude oil sparked inflationary fears, reports Drexel Burnham Lambert. Copper continued to be strong, as a 555 point advance made new contract highs. December copper settled at 13335 with heavy volume seen throughout the session. In the softs, volume was light in most of the markets. Sugar had marginal gains as trade buying supported the market. Fund and commission houses were featured sellers. Trade and local selling weakened cocoa prices by 11 points. Coffee remained inactive. The meat markets were dominated by local activity as many await Friday's report. Grain markets continued to feature light volume and narrow trading ranges. Wheat futures posted the largest gain, advancing 3¾ in December. In cotton trading, prices recovered from yesterday's decline as commission house buying was seen. With OPEC meetings beginning, energy markets experienced hectic sessions. Crude oil and product markets posted significant advances.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	411.4	411.8	[illegible]	[illegible]
Nov	412.6	413.0	[illegible]	[illegible]
Dec	414.7	415.1	416.7	413.2
Feb	418.0	420.3	421.4	418.2
Apr	422.7	423.1	424.5	422.3
Jun	430.2	430.6	432.1	430.0
Aug	435.7	436.1	435.8	435.8
Oct	441.2	441.6	441.6	441.2
Dec	447.0	447.4	448.5	446.3

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	537.7	540.2	540.0	540.0
Jan	537.7	540.2	542.0	535.2
Apr	541.7	544.2	544.5	540.0
Jul	547.4	550.0	550.0	548.5
Oct	553.7	556.1	[illegible]	
Jan	560.2	562.6	[illegible]	

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	633.7	635.5	636.0	633.0
Nov	636.0	638.0		
Dec	640.5	642.5	645.5	637.5
Jan	644.4	646.4		
Mar	652.2	657.2	657.0	650.0
May	664.0	667.2	667.0	664.0
Jul	674.2	677.4	674.9	674.0
Sep	682.4	685.6		
Dec	695.4	698.7	700.0	700.5
Mar	704.5	707.8		

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	141.70	138.00	141.80	140.00
Dec	133.35	127.80	135.00	129.50
Jan	128.35	127.20	130.00	127.00
Mar	123.35	117.90	125.00	118.50
May	113.85	112.50	115.00	111.50
Jul	109.25	107.70	109.80	107.00
Sep	107.25	104.50	107.00	105.00
Dec	104.25	102.90	105.00	103.00
Jan	102.75	101.50	104.50	102.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	15.15	14.61	15.30	14.80
Dec	14.82	14.04	14.82	14.30
Jan	14.41	13.79	14.42	14.05
Feb	14.32	13.71	14.55	13.97
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	4400	4229	4440	4280
Dec	4460	4297	4497	4345
Jan	4515	4377	4545	[illegible]
Feb	4470	[illegible]	4500	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1334	1341	1356	1326
Mar	1294	1301	1324	1290
May	1312	1323	1343	1300
Jul	1333	1345	[illegible]	[illegible]
Sep	1345	[illegible]	[illegible]	[illegible]
Dec	1383	[illegible]	[illegible]	[illegible]
Mar	1410	1419	[illegible]	

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	125.12	125.48	126.15	124.90
Mar	123.80	124.17	124.20	123.00
May	125.07	124.90	124.50	124.00
Jul	125.00	125.20	125.00	124.80
Sep	125.00	125.25	[illegible]	[illegible]
Dec	124.25	125.00	124.25	123.75
Mar	123.75	124.25		

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	9.33	9.30		
Mar	9.80	9.86	9.79	9.60
May	9.49	9.42	9.54	9.30
Jul	9.33	9.26	9.38	9.18
Oct	9.20	9.17	9.24	9.05
Jan	[illegible]	[illegible]		
Mar	8.90	8.81	8.96	8.84

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	54.35	53.94	54.50	53.85
Mar	54.90	54.70	54.90	54.25
May	55.40	55.45	55.75	55.10
Jul	54.05	53.85	54.05	53.65
Oct	54.33	54.25	54.35	54.00
Dec	54.75	54.53	54.75	54.35

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	169.15	169.35	169.50	167.40
Jan	175.10	175.55	177.25	174.60
Mar	171.40	172.55	173.20	171.10
May	170.75	171.15	171.25	170.50
Jul	168.80	169.10	[illegible]	[illegible]
Sep	164.80	165.10		
Nov	164.80	165.10		
Jan	164.80	165.70		

INDICES

REUTERS (Base: September 18 1931 = 100)

Oct 19	Oct 17	mnth ago	yr ago
1827.7	1819.5	[illegible]	[illegible]

DOW JONES (Base: Dec. 31 1974 = 100)

	Oct 18	Oct 17	mnth ago	yr ago
Spot	134.75	[illegible]	[illegible]	[illegible]
Futures	138.75	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	806/4	805/4	807/0	799/4
Jan	819/4	817/0	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	24.04	24.06	24.10	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	252.2	252.7	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	225.0	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

INDICES

NEW YORK — DOW JONES

	Oct 19	Oct 18	Oct 17	Oct 14	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2137.27	2159.7	2140.47	2133.18	2159.7 (18/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.96	90.0	89.91	90.04	91.25 (3/3)	86.12 (4/1)	–	–
Transport	918.91	929.0	916.42	915.11	929.06 (7/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	183.74	185.0	183.97	183.50	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2173.01 (2163.41) Low 2110.95 (2124.29)

STANDARD AND POOR'S

	Oct 19	Oct 18	Oct 17	Oct 14	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	276.97	277.66	276.41	275.50	278.24 (18/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials (latest)	318.84	321.44	317.78	316.70	319.72 (18/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	25.96	26.03	26.01	25.94	26.37 (18/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	156.18	156.48	155.87	155.46	156.96 (18/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	304.48	303.54	303.27	302.55	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	385.76	385.75	385.01	384.59	394.77 (18/7)	331.97 (12/1)	455.26 (26/8/87)	54.87 (31/10/72)

	Oct 14	Oct 7	Sep 30	year ago (approx.)
Dow Industrial Div. Yield	3.63	3.60	3.66	3.07
	Oct 12	Oct 5	Sep 28	year ago (approx.)
S & P Industrial div. yield	3.15	3.18	3.21	2.40
S & P P/E ratio	13.15	13.13	12.98	23.20

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Kraft Inc	7,942,800	99⅝	+ 2⅛	Mid-South	2,185,000	15⅜	+ ⅜
Idaho Pwr xd	3,476,700	21⅝	– ⅝	Gen Elec	2,041,300	44⅞	– ½
ATT	3,076,600	26⅞	– ⅝	Philip Mor	1,972,700	94	– 1½
Gillette	2,742,300	36⅜	+ 1	Warner-Lam	1,895,600	73	+ ⅞
IBM	2,241,500	122⅞	– 2	Archer-Dan	1,584,200	21⅞	

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

**Saturday Oct. 8: Japan Nikkei (c) and TSE (c)
§ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks
Wednesday 19 October 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kawasaki Steel	97.3m	925	+25	Kobe Steel	19.4m	695	+16
Nippon Steel	74.0m	787	+22	NKK	19.3m	778	+13
Sumitomo Metal	34.2m	726	+24	Kawasaki Heavy	18.2m	735	+7
Nippon Yakin Kogyo	24.9m	1,100	+109	Sumitomo Realty	15.7m	1,580	+120
Osaka Gas	23.6m	799	+42	Mitsubishi Electric	11.9m	862	-5

Closing prices

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A-A-A -								
27¾	14	AAR	.44	1.7	18	487	25¾	25¼	25½	+⅛
10⅛	9⅝	ACM n				63	9⅞	9¾	9¾	
12⅛	8¾	ACMIn	1.28a	11.		605	11⅛	11	11	
12⅛	10⅜	ACMSc	n1.26	12.		1055	11	10⅞	10⅞	−⅛
10¼	8⅞	ACMSp	n1.01	11.		304	9⅛	9⅛	9⅛	
7	2⅝	AMCA				1	3⅞	3⅞	3⅞	−⅛
6¼	3¼	AM Intl				2720	5½	5¼	5⅜	+⅛
25¼	17	AM Int pf	2	8.9		68	22⅝	22⅛	22⅝	+¼
51¼	26¾	AMR			10	7559	50¼	48	48⅞	−⅞
27	25	ANR pf	2.67	10.		1	26⅞	26⅞	26⅞	+⅝
9½	5⅛	ARX			11	180	7¼	7⅛	7⅛	
70½	35¼	ASA	3	7.7		229	39	38½	38¾	−¼
20⅛	9½	AVX	.12e	.6	12	470	19	18⅝	18⅞	+⅛
52⅞	40	AbtLab	1.20	2.5	15	3882	48½	47⅞	48⅛	−⅞
25	15⅞	Abitibi g	1			129	18¼	18⅛	18¼	+⅛
13⅞	8½	AcmeC	.40	4.4		27	9⅛	9	9	−⅛
9	6⅞	AcmeE	.32b	4.7	48	2	6⅞	6¾	6¾	−⅛
28½	10¼	Acuson			26	335	25	24½	24¾	+⅞
17⅞	14⅛	AdaEx	3.09e	19.		106	16⅛	16	16	−⅛
19¼	8⅞	AdobeM	.24	1.4	18	689	16⅞	16¼	16⅞	+½
16⅞	7½	AMD			17	4021	9⅝	9¼	9⅝	−⅛
43½	29¼	AMD pf	3	9.3		8	32⅝	32¼	32¼	−½
8½	4⅞	Adobe				31	7⅞	7½	7½	−⅛
18⅞	16¼	Adob pf	1.84	10.		z5	17⅞	17⅞	17⅞	+¼
21¼	17½	Adob pf	2.40	12.		z50	20¼	20	20¼	
9⅞	6⅞	Advest	.12	1.6	14	85	7⅞	7½	7½	−⅛
57¼	38½	AetnLf	2.76	5.4	8	1000	51⅞	50½	50⅞	−½
34¼	20½	AflPb s	.20	.7		485	29⅞	29½	29⅞	+⅛
18⅝	13	Ahmans	.88	5.2	11	1976	17⅛	16⅞	17	−⅛
4⅞	1⅛	Aileen				16	4⅛	4	4⅛	+⅛
53⅞	29	AirPrd	1.20	2.8	12	4430	43⅛	41¼	42¼	+1
23	11⅛	AirbFrt	.60	3.4	24	72	18⅛	17⅞	17⅞	−⅛
16¼	6¼	Airgas			17	14	14⅞	14⅝	14⅞	−⅛
20	13½	Airlease	2.40	13.	10	107	18½	18¼	18¼	−⅝
9⅞	7⅝	AlaP dpf	.87	9.4		27	9⅛	9⅛	9⅛	−⅛
97	81½	AlaP pf	9	9.4		z450	95½	94⅞	95½	+1⅛
89½	76	AlaP pf	8.16	9.8		204	83½	83½	83½	+¼
87	77	AlaP pf	8.28	10.		z210	82¼	82¼	82¼	
22½	12⅛	AlskAir	.16	.7	17	1353	22⅛	21⅝	21⅝	
18¾	9¼	Albnyln	.25	1.4	14	752	18⅝	18	18⅛	+⅛
38¼	14¼	Alberto	.30	.8	21	134	37½	37⅛	37⅛	−⅛
28¼	12⅝	AlbCulA	.30	1.1	15	23	27⅞	26⅞	27⅛	+⅛
38¼	20¼	Albtsn	.56	1.5	17	455	36⅞	36¼	36⅝	−⅛
33⅛	18	Alcan s	.56	2.8	4	4037	31⅞	31⅛	31⅜	+⅛
27⅞	15¼	AlcoStd	.56	2.6	11	776	26	25½	25⅞	
28⅛	15⅞	AlexAlx	1	3.9	18	1616	25⅞	25⅛	25⅜	−½
68¼	34¼	Alexdr				180	u71⅛	68	71⅛	+3

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
50¾	47	Xerox pf4.13		8.6		417	48⅛	48⅛	48⅛	− ¼
35	19⅛	XTRA	.72	2.2	14	404	33⅜	33¼	33¼	− ¼
59¾	17½	Yorkin			15	36	52¾	52¼	52¼	− ½
4⅛	2¼	Zapata				442	2⅝	2⅝	2⅝	− ⅛
27⅛	13½	Zayre	.40	1.5	173	5840	26¼	25⅞	26	− ⅛
15⅜	6⅛	Zemex	.40	2.7	16	67	15	14½	15	+ ⅞
30	10	ZenithE				3812	21⅛	20⅜	20⅜	−1
10¼	9½	Zeain n .38e		3.7		143	10¼	10⅛	10⅛	+ ⅛
6	1	vjZenLb				245	2	1⅞	1⅞	
21⅝	12¾	ZenNtl	.80b	4.6	8	162	17⅝	17⅜	17½	
17¾	11⅜	Zero	.40	2.8	14	145	15⅝	15⅝	15⅝	
29	15	Zurnin	.68	2.4	18	679	28½	28¼	28¼	− ⅛
11¼	7⅝	Zweig	1.04	9.9		337	10½	10⅜	10½	
10⅞	10	ZweigT n				1905	10⅛	10	10	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices October 19

OVER-THE-COUNTER

Nasdaq national market, 3pm prices October 19

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
AAW Bd		42	77	19	18¾	19	+ ⅛
ADC s		9	208	12½	12¼	12¼	
ASK		16	1076	13¼	12⅞	13	+ ⅛
AST		7	690	8⅝	8⅛	8⅛	
Acadin		30	697	1⅝	1½	1½	− 1-16
AcmeSt	.05e	12	341	23¾	22⅞	23⅜	+ ⅜
ActARt s		32	188	u15¾	15⅛	15¾	+ ½
Actmed		30	464	7½	7⅛	7½	+ ⅛
Acxiom		18	717	16⅛	15⅝	15½	+ ¼
AdacLb		22	1597	3 13-16	3 11-16	3 11-16	+ 1-16
Adapt		24	58	6⅛	6⅛	5⅞	
Adingtn		10	199	23⅛	22½	23⅛	+ ⅛
AdiaSv	.14	18	1749	24⅞	23⅞	24½	+ 1⅛
AdobeS	.18e	30	1776	u47½	46½	47½	+ 1½
AdvCir			345	4½	4⅜	4⅜	− ⅛
AdvNtSv		18	15	15	15	15	
AdvPoly			471	6⅛	5⅞	6⅛	
AdvTel			450	17⅛	16½	17	+ ⅛
AdvoSy		40	52	4	3⅞	4	
AffBcCp	.32	7	28	9⅞	9⅝	9⅞	
Affiliat		97	205	10⅞	10⅝	10⅞	
AgncyR	t	18	913	19	18⅛	18½	
Agnico g	.28		86	11½	11¼	11¼	− ⅛
AirWisc	1	7	65	14⅛	14	14	− ⅛
Alatan	1.10	22	11	18⅛	18⅛	18⅛	
AlcoHlt	.05e	16	224	23⅞	23½	23½	

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WolvEx			8	8⅛	8⅛	8⅛	
Worthg	.44	15	335	22⅝	22¼	22¼	− ⅛
Wyman	.80	15	103	16¼	16	16	+ ¼
−X−Y−Z−							
XL Dta		15	2064	24½	24	24½	+ ⅛
XOMA			758	13¾	13½	13⅝	− ⅛
X-Rite s		13	29	10	10	10	
Xicor		13	895	8⅝	8⅜	8½	+ ⅛
Xyvan		3	104	5⅛	5	5	
YelowF	.70	20	1840	32¾	32	32¾	+ ⅜
ZionUt	1.44		26	25½	24¾	25½	+ ½

AMERICA

Dow moves into decline after spirited opening

Wall Street

TO CELEBRATE the first anniversary of the stock market crash in October last year, Wall Street took a short trip on a roller coaster yesterday, *writes Robert Vincent in New York.*

After a spirited opening during which shares tried to build on Tuesday's gains to a post-crash high, the market went into a gentle decline as bonds slipped in the face of rising oil prices.

Then during the late afternoon the Dow Jones Industrial Average suddenly plunged more than 40 points for little apparent reason. However, the rebound was just as quick and the fall was trimmed to leave the Dow Average down 22.58 points at 2,137.27.

The sudden drop was attributed to reports that the Washington Post was to publish a report today that Vice-President George Bush had had mistresses, although the newspaper rapidly denied this.

The afternoon spurt in trading pushed volume on the New York Stock Exchange to a brisk 186.4m shares. Broad-based indices moved in line with the blue chip Dow Average.

Compared with the frantic trading a year ago when many investors rushed to dump their stocks, yesterday's session was a normal one driven by the usual mixture of rumour and fact. However, the erratic performance underlined the market's continued fragility and lack of trading conviction.

The food sector continued to attract a good deal of attention with some stock adding to Tuesday's gains following the Philip Morris $11bn bid for Kraft. Among those to advance were CPC, up $1¼ at $56⅝. General Mills was unchanged at $54⅞.

Kraft itself was up $2⅞ to $90⅞, just above the $90 a share being offered by Philip Morris as arbitrageurs' hopes built up for a counter offer or higher bid from the tobacco and drinks group. Kravis Kohlberg Roberts, the leading leveraged buy-out specialists, were reported to be interested in bidding for Kraft.

Computer stocks also provided some interest, with Apple adding $⅞ to $40 after unveiling a quarterly jump in earnings from 54 cents a share last time to 84 cents. Wang, which has been struggling in recent years to rebuild its office computer line, posted a sharp downturn in earnings for the quarter. Earnings fell to 8 cents, against 14 cents, and the shares dropped $¾ to $8⅞.

Microsoft, the leading software company, recorded a sharp increase in earnings, from 38 cents to 65 cents, which boosted the shares by $⅞ to $53¾.

Dow Chemical pleased the market with much-improved earnings which were almost doubled at $3.36 a share. It benefited from strong demand and lower feedstock prices. The shares rose $⅞ to $91⅞.

MCI Communications continued to benefit from its sharply higher earnings announced on Tuesday, reflecting a big increase in traffic on its telecommunications network and expansion into more foreign markets. It was the most actively traded stock on the over-the-counter market, with volume of more than 3.4m in early trading. The shares built on Tuesday's gain with a further rise of $⅛ to $22⅞.

AMR, parent of American Airlines, the second largest domestic carrier, reported net profits up by more than 70 per cent to $2.50 a share, in part due to increased passenger traffic and lower fuel prices in the third quarter. The market, however, focused on yesterday's rise in oil prices and marked the shares down $⅞ at $48⅞.

Canada

EARLIER gains gave way to a small loss as falling golds, base metals and industrials depressed Toronto share prices. The composite index fell 5.12 to 3,380.03 in moderate trading. Declines led advances by 392 to 358 on turnover of 24.8m shares.

Tokyo stocks dominate top performing sectors

Patrick Harverson looks at the investor's best bet over the first nine months of 1988

Heavy engineering and shipbuilding has proved the best performing equity sector in the world this year, soaring by 93 per cent in sterling terms.

The industry's outstanding gains are highlighted in the latest figures on sectoral performance from County NatWest WoodMac. The data, based on the FT-Actuaries World Indices, show how each sector in stock markets worldwide performed in the first nine months of the year.

The big Japanese stocks dominated the world heavy engineering and shipbuilding sector, jumping by 106 per cent since January, in spite of the fact that the Tokyo market ran out of steam after its impressive first quarter performance. The key to the stocks' success has been strong domestic demand and the local property boom, seen most clearly in the rush to redevelop Tokyo's waterfront.

The country's big engineering and shipbuilding companies such as Ishikawajima Harima Heavy Industries (IHI), Mitsubishi Heavy Industries and Kawasaki Heavy Industries, own large tracts of land around Tokyo Bay, now some of the most valuable in Japan. Throughout the year they have begun to sell their holdings to developers, redevelop the sites themselves, and turn conventional factories and shipyards into yacht marinas, private housing, commercial offices, or leisure facilities.

The spectacular gains in the shares of big industrial companies have followed the realisation of these "hidden land assets," but they are also linked to benefits coming through from the restructuring and rationalisation of heavy industry that began in the early and mid-1980s. The result has been dramatic improvements in trading results; Kawasaki HI went from a Y17.9bn ($141m) loss in 1986 to a Y10bn profit last year and Mitsubishi HI expects profits this year to rise by more than 25 per cent to Y75bn.

Second in the league table of best performers is the metals and minerals sector — comprising mainly steel manufacturers — with a 68.3 per cent rise. Japan dominated again, leaping 131.3 per cent. The pattern of growth is almost identical to the heavy engineering and shipbuilding sector.

Strong worldwide demand for cars meant that automobile stocks were the next best performers, with a gain of 38.7 per cent. Cars at the top end of the price range were especially popular in Japan, while in the US, demand for trucks showed a dramatic improvement.

The worst performing sector by far — and the only one not to show any gain — was precious metals and mining, which fell by 8.9 per cent. The sector, which is dominated by gold stocks, was hit by this year's decline in the gold price, which has slumped from January to its recent level of about $412.

South Africa's stocks fell the furthest of the main producers, dropping by 26.8 per cent as political uncertainty and overseas disinvestment exacerbated the effect of weak bullion prices.

The few large investors dominating the buying of gold stocks — such as specialist UK unit trusts — have dramatically reduced their investment in South Africa. However, Australian and Canadian gold stocks, while unaffected by political considerations, fared little better.

WORLD PERFORMANCE BY SECTOR
(per cent change in £ terms between 31/12/87 and 30/9/88)

SECTOR	
Finance/ins	18.5
banks	14.8
finan inst	23.9
insur-mult	19.5
property	37.6
holding cos	21.0
Energy	21.8
oil	21.2
other	26.5
Utilities	20.9
Trans/Storage	37.8
Cons Goods/Serv	21.1
cars	38.7
durables	25.4
cons goods/serv	20.0
text/apparel	23.7
bev/tobacco	22.3
health/pers care	13.4
food/grocery	15.3
entert/leisure	18.1
media	17.7
bus. serv	5.1
retail	24.1
wholesale	29.0
Capital Gds	22.6
aerospace/def	33.5
office gds	11.3
electrical gds	11.2
electronics	26.2
machinery/eng	24.2
car parts	26.9
ind manuf	21.3
hvy eng/shipbldg	93.0
Basic Industry	27.1
constr/bldg mat	19.2
chems	15.4
metals/minerals	68.3
precious metals	-8.9
forestry/paper	23.3
fabr metal	31.3
Market	22.1

Figures supplied by County NatWest WoodMac based on FT-Actuaries World Indices

EUROPE

Crash anniversary celebrated by 1988 highs

THE anniversary of the world stock markets crash was celebrated in style by European markets yesterday, with Frankfurt, Zurich and Milan pushing ahead to new 1988 highs and Paris bubbling with speculation, *writes Our Markets Staff.*

PARIS was alive with stories as investors shrugged off worries over interest rates and public sector strikes, and snapped up selected stocks. The market rose by about 1.5 per cent, with the OMF 50 index up 6.04 at 400.13. The opening CAC General index rose 2.5 to 380.8. On October 19 last year it stood at 352.4.

The spotlight focused on Société Générale, the privatised bank, foods group BSN, and construction stock Dumez. Speculation over a reshuffling of hard core shareholdings saw Générale climb FFr58.50 to FFr546. BSN put on FFr110 to FFr5,690 amid rumours it was stakebuilding in Britain's United Biscuits.

Several reasons could be behind the FFr40 climb at Dumez to FFr790, said one Paris analyst. It has lagged the market of late; is rumoured to have won the contract to build Barcelona's Olympic stadium; and is said to be interested in adding to its holding in GTM-Entrepose.

Valeo added FFr14 to FFr594, and Chargeurs gained FFr40 to FFr1,220, after the two announced they were together bidding for 100 per cent of car components maker Epeda.

ZURICH reached a new peak for the year, with shares propelled by Wall Street's gains, a stable dollar and lower Swiss interest rates. The Crédit Suisse general index closed up 17.0 at 558.20, compared with 628.3 a year ago.

The decision by Crédit Suisse and Union Bank of Switzerland to reduce the interest rate charged on cash bonds by a ¼ point helped other bank stocks — Union Bank bearers advanced SFr80 to SFr3,345 and Crédit Suisse added SFr40 to SFr2,750.

Sentiment was also boosted, said a London analyst, by the Government's decision not to block the takeover of brewer Hochdorf by Feldschloesschen, one of Switzerland's biggest breweries. Feldschloesschen participation certificates closed SFr25 higher at SFr1,125.

FRANKFURT saw continued interest in car stocks with some demand filtering through to larger second-line issues. Foreign demand remained strong and volume reached a hefty DM5.16bn.

The DAX index added 8.58 to a 1988 high of 1,304.37, having reached 1,312.03 during the session. The FAZ index climbed up 3.58 to 538.37, compared with 569.85 a year ago.

Daimler made up further ground, putting on DM13.50 to DM746, while BMW rose DM15 to DM539. Attention focused also on Metallgesellschaft and Linde, up DM10 at DM340 and DM14 at DM714 respectively.

AMSTERDAM rose in early trading on strength in London and Frankfurt and good foreign buying, but profit-taking pegged back gains before the close. The CBS all-share index ended just 0.5 up at 100.7.

Royal Dutch advanced Fl 2.50 to Fl 231.20 on hopes that oil prices have bottomed, and chemical group Akzo added Fl 1.60 to Fl 152.50 in expectation of good third quarter figures in two weeks' time.

Aviation group Fokker slumped Fl 1.90 to Fl 28.40 after revealing its second cash call in a year. The 3-for-2 rights issue, priced at Fl 20 a share, is worth Fl 320m and larger than expected.

Trading group Internatio-Muller added 10 cents to Fl 66.00 after shareholders voted out its controversial anti-takeover plan to convert its ordinary shares into certificates.

MILAN was boosted by foreign demand, especially from London, but profit-taking kept gains to a minimum. The Comit index closed up 2.25 at 592.69, compared with 615.90 a year ago.

Ferruzzi Finanziaria bounced back from Tuesday's lows to add L128 to L2,978.

STOCKHOLM closed slightly lower in fairly active trading. The Affärsvärlden index, which last year stood at 904.32, closed 1.6 lower at 925.8. Trading in Nobel Industrier, Carnegie and Asken, all controlled by financier Mr Erik Penser, was suspended, after which the market heard that Nobel was bidding for all the shares in the other two companies.

BRUSSELS closed mixed in active trading encouraged by Wall Street's gains. The cash market index closed off 0.56 at 5,328.04, compared with its level of 4,303.42 a year ago.

MADRID edged lower as investors used the excuse of a worse than expected September inflation figure to take profits. The general index fell 1.97 to 288.66 against a closing figure a year ago of 382.51.

ASIA PACIFIC

Prospect of lower interest rates turns Nikkei round

Tokyo

THE overnight rally on Wall Street and indications by the Bank of Japan that it would tolerate lower short-term interest rates revived a modicum of investor interest in Tokyo equities yesterday, *writes Michiyo Nakamoto in Tokyo.*

The improvement in demand, which pushed volume to 602m shares from 403m on Tuesday, helped the Nikkei average to gain ground for the first time in three days. It closed up 151.69 at 27,293.67, having moved between 27,301.52 and 27,160.12. The closing figure on October 19 last year was 25,746.56.

Advances moderately outnumbered declining issues by 463 to 359 while 204 issues were unchanged. The TOPIX index of all listed stocks rose 9.51 points to 2,118.17, and later in London the ISE/Nikkei 50 index gained 5.03 to 1,752.89.

The possibility of lower short-term interest rates seems to have led institutional investors to redirect some of their cash into the Tokyo market, said an analyst at Nomura Securities. The rally on Wall Street, confidence in the yen's ability to sustain its present strong levels and weaker overnight oil prices gave additional encouragement.

Yesterday's rise was nevertheless on very low volume and, in fact, at its lowest value of the month, said Mr Jonathan McClure, institutional sales manager at Schroder Securities. The market would need quite a bit of good news to follow through to a new rally, he said.

Steels were once again the most actively traded issues. Kawasaki Steel, the volume leader at 97.3m shares, rose Y25 to Y925 and Nippon Steel, second in volume at 74m shares, increased Y22 to Y787. Sumitomo Metal Industry advanced Y24 to Y726 and was the third most heavily traded at 34.2m shares.

The market turned as well to asset-backed stocks, as it tends to do when it lacks a clear theme. Among them were utility companies such as Osaka Gas, which rose Y42 on heavy volume to Y799. Tokyo Gas increased Y40 to Y1,370. Tokyo Electric Power, however, fell Y40 to Y6,100.

Among individual issues which are also largely asset-backed, Nippon Yakin Kogyo added Y109 to Y1,100 in the fourth heaviest trading. The stainless steel maker was selected on the strength of its property holdings and also as it has just completed a financing operation.

The price of the third tranche of shares of Nippon Telegraph and Telephone was set yesterday at Y1.9m after the shares closed at Y1.97m, off Y30,000 on the day — the new issue was priced at a 3.5 per cent discount to yesterday's closing price, as planned. NTT fluctuated throughout the day from an opening Y1.99m to Y2m. Shares of the third tranche are said to be booked completely already.

Trading was slightly more active in Osaka, but share prices failed to firm significantly and the OSE average closed down 4.40 at 25,236.42. Volume was much higher at 69.15m shares against 27.4m on Tuesday. Kobe Steel added Y105 to Y1,050.

Roundup

GAINS in New York and Tokyo gave a lift to Asia Pacific markets yesterday, with Australia particularly firm after news of a smaller than expected deficit on the balance of payments. Hong Kong was closed for a national holiday.

AUSTRALIA bounced back from a weak opening as investors reacted positively to a balance of payments deficit of only A$990m for September, which compares with the A$1.33bn deficit in August.

At the close the All Ordinaries index was 7.7 higher at 1,579.4, well above the day's low of 1,568.7. Turnover, at 97m shares, was worth A$156m.

Blue chip buying sent industrials higher, with Elders IXL recovering from Tuesday's weakness to end 6 cents better at A$3.43. BTR Nylex was a notable loser, dropping 6 cents to A$9.10 after its recent good run following the acquisition of Feltrax.

CRA was another to run into selling pressure after recent strength, falling 16 cents to A$8.76. Other mining stocks followed suit, with North Broken Hill down 5 cents at A$3 and Bougainville Copper 4 cents lower at A$3.73.

Banks were firmer, with Westpac 6 cents stronger at A$6.02, gold stocks mixed, with North Flinders Mines 20 cents higher at A$5.70 but Forsayth 8 cents lower at A$2.80, while energy stocks were generally easier on weak crude prices.

SINGAPORE was helped higher by strength in New York and Tokyo, but profit-taking and continued uneasiness on the anniversary of last October's crash meant shares closed only slightly higher.

The Straits Times industrial index ended 3.07 better at 1,019.16 on turnover of 24m shares. The most heavily traded stock was Sime Darby, down 2 cents at S$3.02

SOUTH AFRICA

GOLD shares closed generally lower in spite of the fact that bullion prices held above $410 an ounce. Randfontein dropped R4 to R270 and Vaal Reefs finished R4 down at R276.

In diamonds, De Beers rose R2.50 to R46.75 while platinums mostly lost ground.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 19 1988					TUESDAY OCTOBER 18 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	147.54	+1.6	124.92	119.97	4.14	145.17	122.88	119.39	152.31	91.16	117.86
Austria (17)	93.86	-0.7	79.47	88.23	2.44	94.55	80.04	88.69	98.18	83.72	94.42
Belgium (63)	126.85	-0.4	107.40	119.81	4.22	127.33	107.78	119.79	139.89	99.14	113.64
Canada (125)	124.39	+0.0	105.32	108.00	3.13	124.33	105.24	108.04	128.91	107.06	113.53
Denmark (39)	140.36	+0.3	118.84	133.25	2.26	139.89	118.41	132.66	140.36	111.42	110.83
Finland (26)	118.63	+1.0	100.45	106.43	1.56	117.50	99.46	105.62	139.53	106.78	—
France (130)	103.42	+0.9	87.56	100.29	3.24	102.48	86.75	98.98	103.42	72.77	93.77
West Germany (102)	85.23	+0.4	72.16	80.24	2.31	84.90	71.87	79.65	85.23	67.78	91.32
Hong Kong (46)	106.28	+0.0	89.99	106.60	4.73	106.28	89.96	106.60	111.86	84.90	133.32
Ireland (18)	141.28	-0.5	119.62	134.91	4.08	142.04	120.23	135.10	144.25	104.60	124.67
Italy (100)	83.38	-0.1	70.60	83.94	2.40	83.46	70.64	83.77	83.46	62.99	88.04
Japan (456)	167.73	+0.0	142.02	134.97	0.55	167.73	141.97	134.28	177.27	133.61	135.40
Malaysia (36)	136.63	+0.2	115.68	140.97	3.02	136.35	115.42	140.69	154.17	107.83	129.35
Mexico (13)	158.09	+1.2	133.85	394.86	1.38	156.13	132.16	389.99	180.07	90.07	267.40
Netherland (38)	108.37	+0.4	91.76	100.95	4.82	107.93	91.36	100.22	110.66	95.23	106.13
New Zealand (26)	72.22	-0.2	61.15	62.14	6.32	72.37	61.25	62.16	84.05	64.42	108.66
Norway (25)	118.05	+0.1	99.95	107.19	2.68	117.95	99.84	106.94	132.23	98.55	143.86
Singapore (26)	119.55	+0.6	101.22	111.15	2.45	118.80	100.56	110.45	135.89	97.99	106.36
South Africa (60)	110.76	+0.9	93.78	98.82	4.35	109.74	92.89	98.32	139.07	98.26	154.21
Spain (42)	146.97	-0.7	124.44	132.72	3.02	148.06	125.33	133.14	164.47	130.73	148.68
Sweden (35)	127.29	+0.0	107.78	117.40	2.43	127.27	107.73	117.23	128.20	96.92	119.14
Switzerland (56)	81.93	+0.5	69.37	77.72	2.17	81.49	68.98	77.02	86.75	74.13	96.29
United Kingdom (321)	136.41	+0.4	115.50	115.50	4.55	135.92	115.05	115.05	141.18	120.66	132.93
USA (581)	113.03	-0.8	95.70	113.03	3.53	113.94	96.45	113.94	113.94	99.19	105.66
Europe (1012)	112.28	+0.3	95.07	101.22	3.66	111.93	94.75	100.70	112.28	97.01	111.62
Pacific Basin (681)	164.40	+0.1	139.20	133.08	0.77	164.30	139.07	132.41	172.26	130.81	134.32
Euro-Pacific (1693)	143.58	+0.1	121.57	120.24	1.68	143.38	121.37	119.63	147.53	120.36	125.29
North America (706)	113.63	-0.8	96.21	112.74	3.51	114.49	96.91	113.60	114.49	99.78	106.09
Europe Ex. UK (691)	97.17	+0.3	82.28	92.50	2.93	96.90	82.03	91.92	97.17	80.27	98.40
Pacific Ex. Japan (225)	124.24	+1.0	105.20	109.44	4.31	123.06	104.17	109.10	128.27	87.51	121.47
World Ex. US (1891)	142.60	+0.1	120.74	119.74	1.75	142.40	120.54	119.15	146.49	120.26	125.28
World Ex. UK (2151)	130.64	-0.2	110.61	117.60	2.10	130.92	110.82	117.55	131.77	111.77	116.18
World Ex. So. Af. (2412)	131.26	-0.2	111.14	117.51	2.31	131.48	111.30	117.43	132.39	113.26	117.43
World Ex. Japan (2016)	113.62	-0.3	96.20	108.68	3.61	113.94	96.45	108.95	113.94	100.00	109.19
The World Index (2472)	131.13	-0.2	111.03	117.39	2.32	131.35	111.18	117.30	132.38	113.37	117.67

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Hong Kong market closed Oct.19.